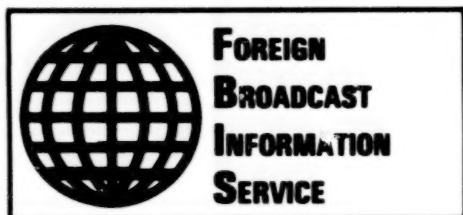


JPRS-CAR-93-045

1 July 1993



JPRS Report

China

China

JPRS-CAR-93-045

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Xu Jiatun's Memoirs

93CM0299A Hong Kong LIEN HO PAO in Chinese
4-13 May 93

[Selections from serialized memoirs: "Xu Jiatun Wants To Be a Witness to History. Xu Jiatun's Hong Kong Memoirs"]

[4 May 93 p 1]

[Text] Preface

I have never had much interest in writing my memoirs. I have always felt that the number of events about which I feel satisfied and that others might enjoy are few. I have been even more averse to the memoirs of some people I have known that are boastful and fraudulently claim the achievements of others as their own. But now I have changed. I want to write my memoirs.

By curious coincidence, as the year of my retirement approached, the so-called 4 June incident occurred, and I became caught up in a palace conflict that a provincial-level official like myself should not have become involved in. This loyal, more than 50 year old communist disciple "toured" the capitalist United States to "rest." This was an extreme irony for the Communist Party of China and for myself! What I had never before imagined, and what I even more extremely hoped never to see became a reality...

After his retirement as the CPC first secretary of Guangdong Province, Ren Zhongyi [0117 1814 1138] said to me with solicitude: "I have safely landed. How about you?" Possibly he had some premonition and was urging me to come to my senses. Now, it seems, my power of understanding was too low.

Quite a few friends have repeatedly urged me to write about my six years and seven months in Hong Kong as director of the local XINHUA branch and as secretary of the CPC Hong Kong and Macao Work Committee. "Don't publish it if you do not want to; just put it away as historical data," they said. I thought about it for nearly a year, and in 1992, I finally made up my mind to write!

I have two reasons for deciding to write: First, to leave some data as a witness to history for the reference of others; and second, to make a little money to sustain myself during the period during which I cannot return to China because Jiang Zemin and Li Peng, who exercise authority in the CPC, cancelled by party registration.

My concerns are:

I have no materials in my possession; I must rely completely on my memory. I can speak rather specifically about the matters I personally experienced, but I am entirely unable to cite as proof the documents of the Central Committee in Beijing. Since these memoirs are to serve as reference material, naturally I want to make them accurate, but under my present circumstances, this

is sometimes very difficult to do. Anyhow, as firsthand materials from a person involved, I believe they have a certain historical value. With the help of my warm-hearted friends, I sifted pertinent information from Hong Kong newspapers, magazines, and books. This information tweaked my memory and improved its accuracy. On the whole, it helped sort out the main threads of past events, increasing my confidence.

I have a very bad habit of not taking notes in meetings, and I have never kept a diary my whole life long. I depend on my brain to record the "gist." This is both a strength and a weakness. I always gloss over times and places, which I do not consider part of the "gist." They are not elements to be stored in memory. Now that I need this information, I grope for it in vain. I can only try my best to be accurate, but errors tend to creep in. Therefore, if any scholar or reader finds mistakes, he or she should not be shy about setting me straight. I shall be very grateful. No, I shall be extremely and genuinely grateful!

My memoirs revolve around current events and personalities having to do with China's recovery of Hong Kong, which is also a sensitive on-going topic in which very many people are interested. This includes information affecting the interests of many nations and territories—mostly China and the United Kingdom. There is one incident after another, numerous conflicts, endless clashes, and differences of opinion, each side clinging tenaciously to its own views. As a participant located in the vortex of historical events, I am bound to touch upon these various interests, conflicts, and clashes when recalling the intricate problems of Hong Kong. At the same time, I am extremely likely to evoke all sorts of comments and criticisms. Moreover, I welcome all criticisms of my memoirs from whatever quarter. "Criticism warns the recipient against future mistakes." Mao Zedong was right on this point. For the sake of truth, I have put aside the matter of honor or dishonor. Neither will I lightly change my former standpoint, nor will I distort what I write because of pressure or to cater to a certain point of view. I believe that history will provide its own verdict. In cases where anyone in the CPC or in Hong Kong society may be embarrassed, I have concealed their names. One other point I want to clarify is that although Macao was also included in the purview of my duties in the Hong Kong and Macao Work Committee of which I was in charge, we delegated a substantial amount of authority to the Macao branch. The Hong Kong and Macao Work Committee very rarely questioned its day-to-day activities. Second, to concentrate my energies on writing about Hong Kong affairs, I have left out of my memoirs portions pertaining to Macao. I ask for the readers' forbearance on these two points. The main emphasis of the memoirs is on the CPC's plans and policies for recovering Hong Kong. This includes taking back Hong Kong upon expiration of the lease in 1997, instituting "one country, two systems" in Hong Kong thereafter; and gaining a high degree of autonomy for "Hong Kong residents ruling Hong Kong." There have

been contradictions and reverses in the CPC's implementation of these plans and policies, but it has been substantially consistent. The memoirs mostly follow three separate threads: Cooperation and conflict between China and the United Kingdom; the reaction of the various strata in Hong Kong and the Chinese leaders' countermeasures; and internal contradictions and splits within the CPC about the Hong Kong issue.

Some people in Hong Kong evaluate me as a "communist whose party spirit is unshakable, and whose thoughts are open." This is both a commendation and a condemnation. In their view, Xu seems to be a bundle of contradictions. However, in writing my memoirs, I can only have the same standpoint, albeit with slight changes. I am no longer a member of the Communist Party controlled by Jiang and Li, nor am I a so-called "Bolshevik outside the party." Leninist parties and Lenin- and Stalin-style socialism have been discarded in historical practice. (I believe that even Deng Xiaoping's thinking about the Communist Party and socialism has also changed.) I am a socialist and a communist outside the party. I desire to work toward the same goals as comrades inside and outside the CPC, and to work with them in exploring new forms of socialism and communism.

My understanding of Hong Kong was gained gradually, and I have to admit that I am still adding to it. A new understanding of Hong Kong as well as contemporary capitalism in order to put this knowledge to use was an idea that sprouted in my mind not long after I set foot in Hong Kong on 1 July 1983 in my capacity as director of the XINHUA branch there. During more than six years in Hong Kong, this was always my goal. My own feelings are that I succeeded but not sufficiently. It was for this reason that the idea occurred to me of continuing to study in Shenzhen following my retirement. However, for reasons known to all, this did not happen. My current plucking up of courage to write my memoirs is also a carrying out of my original intention.

In my memoirs, I maintain a consistently optimistic attitude about Hong Kong's future. What future changes may occur will depend on whether the leaders in Beijing prove to be skilled hands who are able to adjust to changing situations, or whether bunglers take actions that run against the tide of history. If it is the latter, small, medium, or large reverses are all possible. However, I firmly believe that not only will the Hong Kong public not tolerate reverses, but neither will the people throughout China! Therefore, overall, I am optimistic about Hong Kong's future. My memoirs also contain some cursory remarks about the development of the situation in Hong Kong since my retirement. On the one hand, I am still emotionally attached to the past, yet I am also like a newborn babe. I hope to help in Hong Kong's stable transition, maintenance of economic prosperity, the people's happy life, and progress in democracy.

[5 May 93 pp 1, 3]

[Text] Chapter 1. Orders From Zhongnanhai

1. Surprising Assignment
2. Deng Xiaoping in Jiangsu
3. From Continuing in Office in Jiangsu to Transfer to Hong Kong
4. Official Visit With Liao Chengzhi
5. Li Xiannian Wants Ji Pengfei To Become Director of the Hong Kong-Macao Office
6. Central Committee Criticism. XINHUA Hong Kong Branch "Both Leftist and Narrow"
7. Deeply Inspired by Visit to Special Economic Zone
8. Pre-Assignment Enthusiasm Greeted With Cold Faces
9. Across the Luohu Bridge

1. Surprising Assignment

One day in April 1983, CPC Central Committee General Secretary Hu Yaobang summoned me from the West Beijing Guesthouse to a government building in Zhongnanhai to notify me formally that the Central Committee had decided to assign me to Hong Kong as secretary of the Hong Kong-Macao Work Committee and as director of the Hong Kong branch of XINHUA. Earlier, the Central Committee had decided that I should leave my post as first secretary of the Jiangsu Provincial CPC Committee. Now I was in Beijing helping the Central Committee assemble a new leadership team for Jiangsu Province. My new assignment was a surprise to me.

China and the United Kingdom were engaged in negotiations about Hong Kong's retrocession to China. Although I knew of this, I knew little about it. My new assignment was "director of the Hong Kong branch of XINHUA" as far as the outside world was concerned, but secretary of the Hong Kong-Macao Work Committee was my "real occupation." I was the Chinese government's Hong Kong "chief." Moreover, my assignment to Hong Kong during this period of tense and delicate negotiations between China and the United Kingdom was clearly a mark of the CPC Committee's confidence and trust in me. Nevertheless, I had worked in inland China for most of my life; I was a greenhorn about foreign affairs. Furthermore, I was 76 years old and had to "make a new start" at an old age, no inconsiderable difficulty.

Seeing my hesitation and delay in responding, the impatient Hu Yaobang, who acted and spoke quickly, kept urging me to accept. He said: "The Central Committee has decided to take back Hong Kong and to run an experiment in Hong Kong of 'one China two systems.' During reform and opening to the outside world, the CPC Central Committee has to rely for support on Hong Kong and Macao. It needs a decisive person there. You have experience running the economy in Jiangsu, and you are creative. The new job is suited to you." He also said: "After your assignment, the status of the Hong

Kong-Macao Work Committee is to be elevated to that of a unit; the formal document will soon be issued." He also told me that "your assignment to Hong Kong was my suggestion. The Standing Committee approved it unanimously. After Comrade Xiaoping was informed, he agreed as well."

"The sudden assignment made me remember my original intent in joining the CPC," which was to rescue the Chinese people from their profound suffering, to oppose the aggression of the Japanese imperialists and the humiliation of the western powers, and to build a peaceful and democratic socialist new China. Naturally, this included the recovery of Hong Kong to wash away China's shame. Furthermore, obedience to orders and carrying out commands was a firm rule in the CPC, and it was also a party style that I had nurtured for many years. I never haggled. However, certain infelicitous events at the time of my departure from Jiangsu also made me hold my breath about going forth to initiate a new field of activity. I made up my mind to meet the new challenge. I said: "I am grateful to the Central Committee for its confidence. I will go!" At the time, however, I did not realize how special this mission was—the complexity and difficulty of having a communist go to protect the Hong Kong capitalist system for at least 50 years without change, and of protecting the continued prosperity of Hong Kong.

Upon hearing my reply, Hu Yaobang laughed with glee.

My new assignment was likewise a surprise to some people in China. Some of the old people in Jiangsu who opposed my continued service in Jiangsu sighed with regret saying: "We never imagined that Xu Jiatur would turn misfortune into good fortune." Actually, I myself knew that leaving Jiangsu was no misfortune, and that going to Hong Kong was no good fortune. However, some cadres in Jiangsu Province did not realize that the Hong Kong branch of XINHUA had a special mission. They equated it with the XINHUA (provincial bureau level) in Jiangsu, which was truly responsible for news, or they said: "Why is Xu Jiatur going into newspaper work? Why is he being reduced in rank?" They thought I had committed some errors, and that I had changed to a different line of work and been demoted.

Quite a few people in Hong Kong also felt surprised, but their reactions differed. First of all, what surprised them was that the new XINHUA director's "qualifications" exceeded those of previous directors. Unexpectedly, a CPC Central Committee-appointed top level provincial person had been appointed. (I had served as first secretary of a provincial CPC committee, as a provincial governor, as the first political commissar in a provincial military region.) This was very unusual.

The second thing that surprised them was that the new appointee had no diplomatic experience; his background was in the "rustic Eighth Route Army." After the widely known former Hong Kong XINHUA director, Wang Kuang [3769 0562], left Hong Kong, he was to be

succeeded by China's ambassador to the United Kingdom, Ke Hua [2688 5478]. Inasmuch as Sin-British negotiations about Hong Kong's return to the motherland were currently underway, given his experience as ambassador to the United Kingdom, Ke Hua's appointment to this position seemed to make a lot of sense. As I understood the situation, these rumors did not appear out of nowhere. Some old timers in Beijing really had made such a recommendation, and even Liao Chengzhi, who was responsible for overseas Chinese affairs and work in Hong Kong and Macao, said he "would consider it." Even though Zhongnanhai did not express a view, Hu Yaobang and others were of a different mind.

The third surprise was that for more than 20 years, the directors of Hong Kong XINHUA had always been from Guangdong Province. Even the deputy director and other persons in charge were also from Guangdong. The new appointee, however, had no ties to Guangdong. He was a real "outsider!" Let me tell you an episode that may explain this unexpected assignment that changed my fortunes.

2. Deng Xiaoping in Jiangsu

During the lunar New Year of 1983, Deng Xiaoping and his entire family spent the holiday in Shanghai. After the New Year, the whole family went to Suzhou. I hurried over from Nanjing to Suzhou to accompany Deng Xiaoping on his visits to Suzhou's parks and famous places of interests in the suburbs, and on inspections of people's communes. Deng Xiaoping and his whole family enjoyed themselves greatly those few days. We all traveled together in a van. Along the way, Deng Xiaoping talked cheerfully and humorously, and frequently hugged Deng Nan's daughter, making his granddaughter laugh. From time to time, he also listened to me explain sights along the way. We rarely touched on work.

Deng Xiaoping stayed at the Nanyuan Guesthouse. The Nanyuan Guesthouse had once been the residence of Chiang Kai-shek's former wife (probably Ch'en Chi-ju). After founding the PRC, the Suzhou municipal government confiscated the residences of several Kuomintang officials, which were called traitors' property at the time. They combined them into a guesthouse for foreign guests and high ranking leaders. Lin Biao took a fancy to this place, and during the period of economic difficulties during the 1960s, he specially allocated funds for the construction of a new villa. Long residence in this villa allowed Lin Biao, who never left home, to enjoy sunbathing, and his wife, Ye Qun, swam indoors. On this visit, Deng Xiaoping and his whole family lived in this villa. I was a provincial official, so when a person in charge from the Central Committee came here, even though on vacation, I had to report on the local situation and request instructions. I sought out the manager of Deng Xiaoping's office, Wang Ruilin [43769 3843 2651], and asked him to arrange a time. At first, Wang Ruilin turned me away with the excuse that "the old man

has come on vacation, so never mind." Later on, however, I received a telephone call: "The old man agreed to have a chat with you. But don't go beyond 20 minutes." This was too short a time. I asked him: "What do you suggest I talk about?" Wang Ruilin replied: "Talk about something that has new significance; the old man is interested in that." In the wake of the 12th NPC, the whole country was talking about implementation of the decisions that Deng Xiaoping had made and that the CPC Central Committee had passed in which the building of the economy was the centerpiece, and that called for a quadrupling of the country's industrial and agricultural output and attainment of a "comfortably well-off" standard of living by the end of the present century. Within the party, many people were filled with confidence and gusto. However, no small number of people also lacked confidence. They feared the reappearance of exaggerations and recommission of the mistakes of the Great Leap Forward.

I had begun my leadership role in Jiangsu in 1956, serving first as provincial CPC committee first secretary and vice governor. I had been one of the youngest provincial leaders in the country. During the Cultural Revolution, I was labelled a "capitalist roader," a four year hiatus ensuing. In 1970, I resumed by position as vice governor. In 1976, the gang of four was toppled, and in the following year I was appointed first secretary of the provincial CPC committee, provincial governor, and first political commissar of the provincial military region. By 1983, I had served 27 years in positions of leadership in Jiangsu Province.

During that period I acted as the province's realities dictated. I summarized experiences and lessons learned in more than 30 years of building the economy of Jiangsu Province, concluding that Jiangsu Province had already begun to feel its way along a road of high speed development that differed from that of very many provinces and municipalities throughout the country. Within less than six years after smashing the gang of four, Jiangsu Province's economic growth had doubled. Encouraged by the new decisions of the Central Committee, I estimated that in less than five years it could double again. Thus, it was not necessary to wait until the end of the present century for the people of Jiangsu to reach a "comfortably well-off" standard of living. This goal could be achieved earlier. Nevertheless, some old people in the province who opposed me condemned me saying that "the good life would not last long; I was exaggerating again," and that "I was thinking only of myself in making false reports to higher authority that took credit for the work of others. I did not consider how life was throughout the province." They dubbed me an extremely selfish individualist, which put very heavy pressures on me.

When reporting to Deng Xiaoping, I made the differences of opinion and arguments about whether Jiangsu Province could achieve a "comfortable well-off" standard of living my main topic. I provided a concrete explanation of why I believed that this could be attained.

Deng Xiaoping listened to my report without having anyone take notes. Just the two of us were in the room. I had never had direct contact with Deng previously; this was our first conversation alone. My impression was that he was a leader of high caliber, had strong principles, and was scrupulous about every detail. He did not speak much, but he spoke briefly and to the point. I very much respected him, and I felt a little tense.

I remembered that after smashing the gang of four, at a national conference on agricultural production, Hua Guofeng, Deng Xiaoping, and Li Xiannian all sat on the rostrum, and myself and several provincial CPC committee secretaries were also put on the rostrum. When the meeting was over, Hua Guofeng, who was chairman of the CPC Central Committee, rose first to leave the rostrum. Deng Xiaoping and Li Xiannian also rose at the same time, each of them urging the other to go ahead, but neither wanting to be second. At that time, Deng Xiaoping, who had been rehabilitated for the third time, ranked after Li Xiannian. Seemingly, out of respect for Deng Xiaoping's record of service within the party, Li Xiannian allowed Deng Xiaoping to go first. After deferring to each other for a while, Deng Xiaoping said to Li Xiannian very seriously: "By rights, you should go first." Very embarrassed, Li Xiannian had to leave first. This incident deepened by impression of Deng Xiaoping as a man who overlooks nothing.

I found as soon as I began my report that Deng Xiaoping was very much interested in the topic. Not only did he listen with close attention, but he kept asking questions as I went along. The 20 minutes that Wang Ruilin had set passed. I saw him pass outside the doorway twice, but seeing that Deng Xiaoping and I were so engrossed in conversation, he went away.

(Note: The times given in three different places in this article on Xu Jiatun require correction as follows: On page 1, the date when Xu Jiatun decided to write his memoirs was "April 1991." On page 3, "January 1990" was the date when the Chinese Communist official announced Xu Jiatun's February retirement, and his succession as deputy foreign minister by Zhou Nan. The first two weeks of May "1990" was the time when Hong Kong newspapers first revealed that he had secretly gone to the United States at the end of April.)

[6 May 93 p 1]

[Text] 2. Deng Xiaoping in Jiangsu (continued)

After smashing the gang of four, Hua Guofeng took command and announced that "the economy of the whole country is verging on collapse." However, for several years prior to 1976, the output value of Jiangsu Province's industry had increased at a double digit rate, and agriculture had also grown at between 5 and 6 percent. On the basis of these facts, I announced at a conference of cadres above the county CPC committee secretary level from all over the province that Jiangsu had scored very great achievements in its economic construction, and that it would make a new leap forward.

This led several old timers in the provincial CPC committee who held an opposing view to criticize me for "failure to maintain unanimity with the Central Committee," and for "not improving the economic environment and rectifying the economic order but wanting to plunge ahead blindly." Nevertheless, we persisted in a high speed development policy, and during 1979 the gross output value of Jiangsu Province's industry and agriculture topped that of Shanghai and Liaoning to take first place in the country. This development momentum was also maintained thereafter. Jiangsu Province placed first and second for several years in a row in providing the country with grain, edible oil, and pork. This made it a key province in helping the entire country.

Upon hearing this, Deng Xiaoping asked: "How were you able to do this?"

I reasoned that this had to do with two good things that Xu Shiyu [6079 0013 0645], the chairman of the Jiangsu Provincial Revolutionary Committee and commander of the Nanjing Military Region, did during the military control period of the Great Cultural Revolution. First, he crushed the heads of the two main rebel factions in Jiangsu, thereby shortening the period and the scale of turmoil in Jiangsu by comparison with other provinces, and also lightening its severity. Second, he "emancipated" large numbers of local cadres fairly early on, transferring experienced cadres from the provincial level and the municipal level to counties and communes to take charge of production, unlike the situation in some other places where military men "commanded blindly." Thus, Jiangsu did not make very many detours.

I also said that "during the Great Cultural Revolution when I was 'overthrown,' I diligently analyzed the errors made previously, so after my 'liberation,' I used this understanding subjectively to do all possible to avoid recommitting the same errors. That no small number of local cadres went through the same thing was also a reason, I believe."

Deng Xiaoping frequently nodded agreement.

Next, I boldly explained some innovative experiments made in the development of Jiangsu's economy during the past several years. I said the road "we" are taking is different than elsewhere in the country.

I said that in agriculture, Jiangsu Province's "learning agriculture from Dazhai" was actually somewhat "distorted." By this I meant that mostly we had learned from Dazhai about the spirit of "remaking nature." We had gone in big for farmland water conservancy capital construction and soil improvement, and we encouraged scientific farming, particularly in north Jiangsu where formerly "big rains meant big disasters, small rains meant small disasters, and no rains meant drought disasters." In this 60,000 to 70,000 square kilometer area, we were able to ensure a harvest despite drought or flood, thereby fundamentally improving the situation in which millions upon millions of people had to flee every year. At the same time, we did not conduct a campaign

to "cut off the tail of capitalism," which was the rage throughout the country for a time. We did not confiscate the peasants' "private plots"; we did not ban rural country fair markets; and we did not "kill little Liu Shaoqis." (This was another name used in rural villages at the time instead of "cut off the tail of capitalism.") We did not force the peasants to slaughter the hogs and poultry they had raised themselves or forbid them from raising livestock again. At the time, this was considered "going beyond bounds."

In rural villages, we developed commune and brigade enterprises (the so-called "township and town enterprises" of today). Numerous new small cities and towns sprang up in the countryside, and the far flung rural villages moved from a small farming economy toward a commodity economy. When I reached this point, fearing that Deng Xiaoping might criticize me, I made a self-criticism in advance. I said that we had "taken advantage of a loophole in state policy." Because commune and brigade enterprises were under collective ownership, sold what they produced themselves, solved their own problems in obtaining raw materials and fuel, and paid the state 51 percent of their profits in taxes, themselves deciding how the remainder would be used and their own investment projects, this clashed with the state planned economy.

Deng Xiaoping did not interrupt; he continued to listen with rapt attention. I then described in concrete terms commune and brigade industry and the large scale development of industrial enterprises in Wuxi County, and how this had spurred agricultural production, "industrial production spurring sideline occupation production," and "industrial production supplementing agricultural production." In addition, peasants "became both peasants and workers," and "both peasants and businessmen" for a general rise in the standard of living. I deemed this a way to solve the problem of large amounts of excess labor in rural villages. It was a way to create a small scale agricultural self-sufficiency economy and develop a commodity economy. In addition, I also reported certain sharp dissenting views and even condemnation of this as "undermining socialism."

In the industrial production realm, city and town collective industrial enterprises and township and village commune and brigade industrial enterprises under the collective ownership system became the main factor in Jiangsu Province's industrial growth. Building on Jiangsu's specific circumstances, we developed mostly light industries, and mostly medium and small enterprises. Such medium and small enterprises accounted for more than 98 percent of Jiangsu Province's industrial and mining enterprises. They were characterized by small investment, quick results, and easy shift into other lines of production. Sixty percent of industrial and mining enterprises were collectively owned.

I told Deng Xiaoping candidly that "the Central Committee had endorsed a market economy only to change to

the formulation of 'a planned economy primarily, supplemented by market regulation.' We have to go along with this formulation openly, but actually we cannot retreat. The ratio between plan and market in Jiangsu's economy is about 50-50. In cities and counties, the percentage of national plan is less than for the province as a whole at 40 to 60 percent or 30 to 70 percent. Mostly Jiangsu has a market economy. In some counties in the southern part of the province, the ratio is 20 percent plan and 80 percent market, or 10 percent plan to 90 percent market. They rely almost completely on a market economy." Collective industrial and mining concerns and some state-owned enterprises that supply themselves with raw materials, do their own production, and perform their own marketing have spurred along the market economy, and they have also given impetus to a rise in production and development of the national economy. The doubling of Jiangsu Province's economy in less than six years was largely attributable to this.

At this point, Deng Xiaoping interjected joyfully: "It seems that the market economy is very important!"

This seemed to signal the end of my report, but suddenly Deng Xiaoping asked: "What do you think about Shanghai and Zhejiang?" I took his question to mean what were my thoughts about a "doubling" in Shanghai and Zhejiang. Since Deng Xiaoping endorsed my views, I replied confidently: "Shanghai is taking the same road as the rest of the country. It has a good foundation, lots of energy, and heavy burdens, but its energy has not yet been freed! People from Zhejiang and Shandong have come to Jiangsu to take a look, and they have begun to take Jiangsu's road. Conditions in Shandong are better than in Jiangsu. It has plentiful natural resources. Jiangsu cannot compare with it. During the next several years, Shandong may surpass Jiangsu."

At this juncture, Wang Ruilin entered to announce dinner. I rose to say goodbye. Deng Xiaoping stood up, shook my hand and said goodbye. After leaving, I looked at my watch. To my surprise, more than two hours had passed.

3. From Staying on in Jiangsu To Changing to a Job in Hong Kong

One month later, Hu Yaobang called me to Beijing where he told me when we met: "When Comrade Xiaoping returned to Beijing, he praised you at a Standing Committee meeting. He said that Jiangsu has done rather well! He said that Xu Jiatun should continue with 'the transition' for the time being. The Standing Committee was very happy and unanimously agreed with Xiaoping's views."

During that period, the CPC Central Committee was acting in the spirit of the 12th Party Congress. It was making the cadre corps more youthful, and reorganizing leadership teams. I was 67 years old that year, past the retirement age for province level cadres. The term, "the transition" was to mean that because of the turmoil of the Great Cultural Revolution, which delayed the

training of middle age and young cadres, a situation existed in which the "old crop was used up but the new crop" of cadres had not yet matured. Therefore, some old cadres beyond the regulation retirement age were allowed to stay on for a while as bridges for the transition to middle age and young cadre successors.

Since Deng Xiaoping had made his wishes known, I happily accepted at once. After returning to Nanjing, I followed Hu Yaobang's instructions to make no announcement for the time being, but wait until the Central Committee's formal announcement.

Unexpectedly, several old timers in Jiangsu Province who had pitted themselves against me all along staunchly opposed my remaining in office. They obtained Chen Yun's support. For the Central Committee to send a special person to work would not do; it would cause a deadlock. Finally, the CPC Central Committee made a decision. It would transfer me out of Jiangsu. At that time, State Council Vice Premier Wan Li asked me: "Why did Chen Yun support them?" I did not know how to answer.

Actually, those old timers' conflict with me was not mostly from personal resentment, but quarrels over work. They were firmly opposed to using enlivening of the economy as a springboard for high speed development, and they particularly opposed giving a free hand to the development of commune and brigade collective enterprises. In addition, they had taken part in the revolution longer than I. Their party credentials were older than mine, and they felt that I did not defer to them. Each of them retired as regulations required, but I continued to hold office. This was hard for them to accept. Two years earlier, the Jiangsu Team had also undergone readjustments. Even after the Central Committee readjustment plan was decided upon, they went to Chen Yun to get him to oppose it. As a result, it was overturned. The intensity of their resilience and their great energy made the Political Bureau Standing Committee likewise helpless in the face of them. The one who notified me officially was also Hu Yaobang. He said: "The Central Committee took into account that there are too many difficulties for you to continue. It decided to assign you to another job. You will not have to go back to Jiangsu." In addition, he asked me to help assemble a new leadership team for Jiangsu. There was nothing I could say. I nodded my head and said I understood.

When the task of assembling a new leadership team for Jiangsu Province was just about completed, the situation at the beginning of this chapter occurred. After accepting the assignment as director of Hong Kong XINHUA, I asked Hu Yaobang: "Should I go see comrades Xiaoping and Chen Yun?" Hu Yaobang said: "No need. Don't interfere with their rest period."

Nevertheless, to show respect for Deng and Chen, I telephoned their offices. "Deng's office" replied: "Comrade Xiaoping said that Yaobang has already spoken with you. If anything comes up later on, he will see you

again." "Chen's office" replied: "Comrade Chen Yun has not been in very good health recently. He said you should come to see him next time."

Later on I went to see the Central Committee Organization Department director, Song Renqiong. He revealed that "the Standing Committee discussed your placement many times. Ziyang suggested once that you become director of the East China Economic Coordination Zone (an organization under the State Council responsible for coordinating economic construction activities in Jiangsu, Zhejiang, Anhui, and Shanghai). The Standing Committee discussed this, but felt that this assignment would not separate you from Jiangsu, so trouble would continue. Later on, Yaobang proposed sending you to Hong Kong. Yaobang said that Hong Kong needs someone, but no decision has been made. Xu Jiatun gets things done; he is a proper choice. This arrangement was a good assignment for Xu Jiatun, and it was also acceptable within the party. Therefore, the Standing Committee unanimously agreed. When Liao Chengzhi, who was in charge of Hong Kong and Macao activities, was asked his opinion, Liao Chengzhi said he "welcomed" him. When Comrade Xiaoping was notified, he also expressed approval. Thus, after several twists and turns, I changed from holding my position in Jiangsu to an assignment to a new position in Hong Kong.

[7 May 93 p 2]

[Text] 4. Call on Liao Chengzhi

Liao Chengzhi, the director of the Hong Kong and Macao Office of the State Council, was to be my future immediate superior. After accepting the assignment, my very first act was to go see him.

I had never had much opportunity previously to see Liao Chengzhi. It was not only after I became first secretary of the Jiangsu CPC Committee that I had any contact with him. I had long heard that he was open-minded, generous, and not punctilious. Hu Yaobang gave him a very high evaluation when briefing me, "high caliber, strong principles, very steady, easy to get along with, honest and kind." He was the foremost expert on overseas Chinese affairs on the Central Committee, a Hong Kong and Macao expert, and a Japan expert. Except for some high ranking leaders in the party who were used to calling him "Young Liao," everyone else inside and outside the party called him "the revered Mr. Liao." I was already acquainted with him at that time. At the Sixth NPC in June, I recommended him for election as vice president of the PRC.

Actually, Liao Chengzhi had helped me once. That was on Tomb-Sweeping Day in 1980 when he came to Nanjing to sweep some family tombs. His father, Liao Chongkai, and his mother, He Xiangni, were buried together at Zhongshan Hills, which the Nanking people call the "Liao foundation." I went to see him at the Number 5 Cadre Guest House in the Zhongshan Hills where he was staying. We talked about the Jinling Hotel in Nanjing whose construction had been completed and

which people felt was pretty good. He was very interested in it, so I took him on a tour of it. When he found that the general manager of the Jinling Hotel was from Jiangsu Province, he asked: "Are there any people from outside who are helping manage it?" I realized that his "from outside" meant people from abroad or from Hong Kong. I told him that we had originally planned to ask the Nanhua Hotel in Hong Kong to send some people up to manage it, but since some people on the provincial CPC committee were opposed, the idea was dropped. After returning to the Guest House, I asked him to tell me what he thought. Liao Chengzhi began by criticizing the Beijing Hotel for being run in a topsy-turvy way because it was unwilling to have a foreigner come to help run it. He went on to say: "We ourselves do not have the experience to manage a large modern hotel. We try to run them like a guest house instead of studying modern management methods. It is impossible to move ahead! When you run a modern hotel, there are 30,000 or 40,000 different kinds of implements and utensils, all of which the general manager must be informed about. This alone is something that our people who run guest houses don't understand." I took to heart these remarks of Liao Chengzhi.

The Jinling Hotel in Nanjing was a project that was decided on when Hua Guofeng was in power. It was the tallest hotel in the entire country at that time. Later on when Beijing launched a campaign to "topple Hua," and to oppose "foreign rashness" other projects of the same kind throughout the country were halted. It was only because I insisted that we not lose the confidence of foreign businessmen that completion of the Jinling Hotel was assured. However, since some people in the provincial CPC committee were opposed, the swimming pool and the shops were cut out. The original plan called for having experienced experts from Hong Kong help manage the hotel, as well as to send service personnel to Hong Kong for training. This too was deemed "too big an expense and unnecessary," so it was never done.

Liao Chengzhi's criticism of the Beijing Hotel became grist for my "reversal of this verdict." I passed his remarks along at a meeting of the provincial CPC Committee Standing Committee, and I again suggested that the Jinling Hotel have experts from Hong Kong come manage it, and that we send people to Hong Kong for training. The prestige of the revered Mr. Liao shut the mouths of the opponents, and the motion carried. During the several years after the opening of the Jinling Hotel, both Chinese and foreign guests praised it, and it was generally well regarded throughout the country. Many jurisdictions sent people to visit it and study at it. This was, in part, a contribution of Liao Chengzhi.

Liao Chengzhi received me at his home in a way that was very special: He met with Zha Jimin [2686 3444 3046] at the same time. Zha Jimin was the head of a well-known Chinese international financial group in Hong Kong who hailed from Zhejiang. Since he was also the son-in-law of Liu Guojun [0491 0948 6874], the nonparty vice governor of Jiangsu Province (who was formerly the boss of

the Jiangsu Textile Financial Group). We had met before. I knew that he was Liao Chengzhi's old friend. When we met at Liao Chengzhi's house, both of us were a little surprised. Zha Jimin wanted to talk with Liao Chengzhi about recommendations for when China took back Hong Kong. At that time, my assignment to Hong Kong had not yet been announced, so he did not know why I was present. Furthermore, this was the first time that I had met with my immediate superior, and according to CPC practice, one's superior is to explain the status of the work and the mission to be performed. To have a nonparty person from Hong Kong present was most inconvenient.

The three of us talked for more than an hour. Liao Chengzhi made the atmosphere very relaxed. At the beginning, a small dog he kept as a pet came running in. He petted it, patted its behind, and then, with a flick of his hand, he said, "Go! Go outside and play. We want to have a meeting."

Holding in his hand the recommendations that Zha Jimin had given persons in charge in the Central Committee, possibly including Liao Chengzhi himself as well, Liao spoke with fervor and assurance. Zha Jimin seemed to have gone to a lot of trouble inasmuch as the recommendations were detailed and covered a wide area, totaling more than 20 in number, all of them on policy issues. First, Liao Chengzhi said: "The recommendations are not bad." The recommendations were in English. Liao Chengzhi translated as he went along, reading one recommendation then commenting on it. "This is all right. I agree. I'll have to think about the first point in this one to see whether it should be changed somewhat," etc., finishing all of them in a single stretch. He also glanced at Zha Jimin from time to time to see his reaction before going on.

Later on, I realized that Liao Chengzhi had used the opportunity to discuss the recommendations with Zha Jimin both to make a reply to him and to relate the Chinese Communist plans and policies for recovering Hong Kong. He expressed his respect for Zha while giving me a rather full understanding of the spirit of the party's main policy toward Hong Kong. He had me attend class. One might say he was breaking new ground, and killing two birds with a single stone. The openness and keenness of Liao Chengzhi's thinking, the naturalness of his manner, his proficiency in a foreign language, and his ability to express profound thoughts in simple terms filled me with deep admiration.

Liao Chengzhi met with me several times subsequently, but he still did not speak about specific situations or work. He simply urged me to read the files and talk with certain people to understand the situation in various regards, who should be contacted, etc. I saw he was very busy, so I bothered him only infrequently. I never imagined that shortly thereafter during the Sixth NPC meeting that he would die of a sudden heart ailment. Later on, I always wondered whether my more than six years work in Hong Kong might not have been different

had Liao Chengzhi lived. Would I have left earlier? Of course, this is conjecture that cannot be answered.

Such thoughts were by no means accidental. Around the time that I was taking over my new job, I encountered many people in responsible positions on the Central Committee who openly or indirectly suggested that some people on the Central Committee were dissatisfied with Liao Chengzhi. On one occasion when Xi Zhongxun [5045 0912 8113], a secretary in the Central Committee Secretariat and member of the Political Bureau, was telling me that I should provide status reports to the Central Committee, he let slip a single sentence: "Liao Chengzhi rarely reports back to the Central Committee; he monopolizes information about the situation in Hong Kong and Macao!" He spoke rather gravely. Political Bureau Standing Committee member Hu Qili also asked me, "Will you be able to provide the Central Committee with a fairly complete report on problems in Hong Kong within three months?" After taking over the job, I completed the report, but more about this later.

Yet another matter was very special in terms of organizational principles. The Nobel prize winning physicist Yang Zhenning [2799 2182 1337] was greatly esteemed by the Central Committee. He told Hu Yaobang, Zhao Ziyang, and Wan Li that some people in Hong Kong were dissatisfied with Hong Kong XINHUA. They said they were unable to report to the Central Committee the views of people in Hong Kong. Yang Zhenning suggested setting up another channel. He proposed that the Central Committee send a "roving scholar" to Chinese University in Hong Kong. This person could report the views of people in Hong Kong directly to the responsible persons in the Central Committee. Hu Yaobang agreed, and Wan Li was to select the person. The person selected was Qiao Zongzhun [0829 1350 0402], the son of the deceased foreign minister Qiao Guanhua, who went to Hong Kong three months ahead of me. He became another direct line outside of Hong Kong XINHUA to Hu Yaobang and Wan Li on the Central Committee. As I was about to depart, Wan Li summoned me and said: "The Central Committee feels this line is not necessary. It has decided to turn it over to you." This also suggested the seriousness in the eyes of the Central Committee leadership of the "monopoly" about which Xi Zhongxun spoke.

5. Li Xiannian Wants Ji Pengfei To Become Director of the Hong Kong-Macao Office

After Liao Chengzhi's death, the Central Committee's choice of a successor was between Ji Pengfei (a member of the Central Advisory Commission) and Gu Mu (a vice premier of the State Council). Li Xiannian gave support to Ji Pengfei's assignment as director of the Hong Kong Office.

At that time, Li Xiannian was the president of China, and head of the Central Foreign Affairs Leadership Team. Zhao Ziyang was the deputy team leader. Hong Kong and Macao work was also under jurisdiction of the Central Foreign Affairs Leadership Team.

Li Xiannian and I had frequent contact in the course of previous work, and we were fairly well acquainted with each other. Back when he was a vice premier and concurrently minister of finance, and I was vice governor of Jiangsu Province as well as first secretary of the provincial CPC committee, we frequently met at Central Committee meetings. During the period when Hua Guofeng was chairman of the CPC Central Committee, Hua also served concurrently as premier, and Li Xiannian was vice premier in charge of economic construction. In my position as first secretary of the Jiangsu Province CPC Committee, I was directly responsible for economic work. At that time we were "accomplices" in "foreign-style rashness" errors. Many large scale economic construction projects in Jiangsu, such as the three part 300,000 ton ethylene project at Nanjing, had been approved by Li Xiannian at my request during a face to face meeting with Li in Shanghai. Two 900,000 kilowatt nuclear power station projects at Changshan in Jiangyin had to be abandoned during the opposition to "foreign-style rashness." Their later transfer to Daya Bay in Guangdong Province was also with Li's agreement. Therefore, one might say that Li Xiannian had been my old leader for many years.

During the NPC meeting, Li Xiannian was not feeling well and was resting at home. I went to see him to ask for direction. Li Xiannian said, "You go take care of foreign affairs. Fine. I'll support you!" Then he immediately grumbled, "See how grandiose their plans. They have committed several kinds of foreign rashness! But they criticized us back then!" I understood that he meant that Deng Xiaoping, Hu Yaobang, and Zhao Ziyang had involved him, Li Xiannian to oppose Hua Guofeng for "foreign-style rashness." The economic construction plans that the Sixth NPC now proposed went far beyond the scale of the "foreign-style rashness" at that time. Naturally, Li Xiannian was resentful. When Li Xiannian made these remarks, he also included me in the "we." I nodded without saying anything.

"Ji Pengfei or Gu Mu. Which will become director of the Hong Kong-Macao Office?" Li Xiannian suddenly asked me. I had no prior knowledge at all about whom the Central Committee was thinking about selecting. However, since I was very well acquainted with Li Xiannian, I blurted out without consideration: "I suppose Gu Mu is more suitable." I was extremely well acquainted with both Ji Pengfei and Gu Mu, and I had no perceived ideas about either. It was just that emotionally I felt that the latter would be easier to get along with.

"Gu Mu is in the revolutionary faction (this is what is usually known outside China as the 'reform faction.') I do not like him!" Li Xiannian said, his voice rising.

I tried to be tactful, so I said firmly, "Ji Pengfei has diplomatic experience, but Gu Mu has experience in economics..."

Li Xiannian did not wait for me to finish before cutting me off, "I still endorse Ji Pengfei."

Not long afterward the Central Committee formally announced that Ji Pengfei was to succeed to the position of director of the State Council Hong Kong-Macao Office. He became my immediate superior. (3)

[8 May 93 p 2]

[Text] 6. Central Committee Criticizes Hong Kong XINHUA Branch as "Leftist and Narrow"

On 19 May, XINHUA formally announced that the NPC Standing Committee had approved my assignment as director of the Hong Kong XINHUA. The Sixth NPC convened in June. I attended as a delegate from Jiangsu, but I took part in activities such as the Hong Kong-Macao Team's discussion of Zhao Ziyang's government work report. In addition, I attended the CPPCC Hong Kong-Macao Team meeting where I visited with Hong Kong and Macao members in attendance, many of whom were well-known figures in Hong Kong and Macao society. Li Xiannian received the renowned Hong Kong aristocrat Li Ming-tse [0448 6900 3419], and I also took part in the meeting. These events were in my position as director of the XINHUA Hong Kong branch. It marked the beginning of my contact with Hong Kong society.

Political Bureau member Wan Li invited me to his home in Zhongnanhai for dinner. Hu Qili had some matters to discuss with Wan Li there, so we met there. Wan Li drank two cups of Maotai and talked to me about going to Hong Kong. He said: "The defect of 'leftism and narrowness' in the work of Hong Kong and Macao has not been eradicated; it is difficult to put work on a new footing there." Hu Qili nodded in agreement.

Political Bureau member Xi Zhongxun also invited me to his home for a chat. The topic of conversation was the same—criticism of work in Hong Kong and Macao as "leftist and narrow." He specifically cited the dissatisfaction with Liao Chengzhi's "monopolization" of information about events in Hong Kong and Macao, while simultaneously criticizing former Hong Kong XINHUA director Wang Kuang for being too leftist. He particularly referred to "He Minsi [0149 2404 1835] as ham-handed, not permitting well-known nonparty personages from Hong Kong and Macao to make a statement in CPPCC team meetings, and criticizing people at random. For "Wang Kuang to have permitted such a low-life to become director of the United Front Department at a XINHUA branch, and to recommend him as a member of the CPPCC is outrageous!" At that time I did not know what sort of person He Minsi was. Xi Zhongxun also said, "Comrade Shangkun wants me to say to you that you should not let him be director of the United Front Department."

I had earlier met Yang Shangkun (deputy chairman of the Central Military Affairs Commission and Political Bureau member) at meetings. He had someone inform me that he wanted to come see me. Yang Shangkun was of the older generation in the party and a person with responsibilities in the Military Affairs Commission. He

might have some duties for me to perform now that I was going to Hong Kong to work. I should go ask whether he had any instructions and accept his assignment. I said that I was unworthy of the honor of him calling on me, and I asked permission to see him. In the end, he still came to see me at the place where I was staying. This was how we came to have direct contact.

During our meeting, Yang Shangkun also criticized work in Hong Kong and Macao as "leftist and narrow." He told me to be sure to change things after I went to Hong Kong, otherwise work in Hong Kong could not be put on a new footing.

Yang Shangkun was cordial and friendly. He did not put on airs. He spoke with candor and sincerity, and he was able to listen to views that did not agree with his own. He showed concern and support for work in Hong Kong and Macao. I worked in Hong Kong for more than six years, and every time I returned to Beijing or when he traveled south to Guangzhou, we always met whether or not we had any business to transact. Thus, we built a private friendship on a foundation of public friendship. We were on rather good terms with each other.

Later on during the 4 June incident, he agreed with my "observation" that to have supported Zhao Ziyang at the outset only to put down the citizens' demonstration later on was a tragedy for the party dictatorship system as well as a tragedy for Yang Shangkun's own personality. A secretary to Yang Shangkun told me privately that Yang "understood the principle, but was unable to stick to it." I fully agree. I will discuss the particulars later on.

7. Deeply Inspired by Visit to Special Economic Zone

Before taking office, in addition to meeting with Central Committee leaders in Beijing, I had two main things to do: to take a travel vacation, and to read pertinent documents to conserve strength and store up energy for the coming struggle.

The director of the Organization Department, Song Renqiong, agreed that I should take a month's rest before going to Hong Kong.

I had been in the Communist Party more than 40 years, rushing around every day without ever thinking about stopping work for a little while to rest 10 days or two weeks. There had been only two exceptions.

One occurred in 1948 at Xin'an Town in northern Jiangsu when the 10th Army of the Third Field Army of the PLA, of which I was a member, battled with the Kuomintang forces. A mortar round came over killing the security guard at my side and wounding me in three places. I underwent surgery in the hospital where I had what might be considered a rest for more than one month.

The second time, needless to say, was during the Cultural Revolution when I was struck down for being an "unreconstructed capitalist roader power holder." My "rest"

period might be said to have been fairly long. The only problem was that my "rest" in a "cow shed" was harder to take than even the times of greatest tension at work. In a single week, the "good" faction denounced us on Monday, Wednesday, and Friday, and the "fart" faction denounced us on Tuesday, Thursday, and Saturday. At that time the "rebel" faction in Jiangsu was divided into two factions. One faction boasted that its takeover of power was "very good," so people called it the "good faction." The other faction was denounced as being "as good as a fart," so people called it the "fart" faction. Only on Sunday were we "capitalist roaders" left alone to linger in a steadily worsening condition. The Great Cultural Revolution was truly "very good!" It was "as good as a fart!"

Now that the time had come for my retirement, and I was about to retire, I originally intended that this time I really would take a long rest, and I even planned on visiting some scenic places while my legs still had the strength to carry me. Unexpectedly, the Central Committee wanted me to buckle on my armor and go forth to battle once again, and this mission would require that I learn from the beginning. It was truly like "learning to be a drummer again in one's old age," having to go through some tough times.

Therefore, for the first time in my life, I asked the party for a month's rest. My form of rest was to travel all over.

My first stop was Tianjin where, upon learning that I was going to Hong Kong, Mayor Li Ruihuan, said he hoped he could get my help in the future on foreign trade and obtaining foreign capital while he was briefing me on Tianjin's economy and the development of its foreign trade. I told Li Ruihuan, "This is my duty. Whatever requests Tianjin has or whatever instructions you have, I will do my best to fulfill."

Wherever I went on this trip, people in charge in every jurisdiction hoped that after I got to Hong Kong I would be able to do something for their province or city in the way of economic relations and trade with Hong Kong and places abroad. In addition to enjoying the sights, listening to briefings became an indispensable part of my daily agenda. A person from the local level myself, I was receptive to their desires and made up my mind to do more while in Hong Kong to promote reform and opening to the outside world for inland China.

Later on I went to Yanan via Xian. Yanan was the "hallowed ground of the revolution" that had beckoned me in my youth. During the War of Resistance Against Japan, I was on my way to seek shelter in Yanan when some underground party members along the way persuaded me to join the "Anti-Japanese Youth Army" to obtain some training and begin work. This army had been founded by the commander of the Kuomintang government's Fifth Combat Theater, Li Tsung-jen. I never got to Yanan. This was also one of my desires now. As I approached it and saw the many revolutionary sites that I had previously seen only in films and photographs,

even though respectful, I saw that the Yanan area still had the look of an impoverished and backward yellow plateau. This, together with my own numerous experiences in the party for most of my life, produced an inexplicable melancholy.

My final stop was Guangdong, where mostly I visited Guangzhou, Shenzhen, and Zhuhai to see their development. The Zhu Jiang Delta had been first to catch the air of reform and opening to the outside world, in addition to which it was close to Hong Kong and Macao; thus, it enjoyed the advantage of a favorable location. Thanks as well to the solicitude and support of tens of millions of overseas Chinese, it was poised for take off. It presented a scene of prosperity that was exhilarating and encouraging. Many aspects of the special economic zones and of Guangdong greatly inspired me. At the same time, I had the premonition that Jiangsu Province, which had held a leading position in the country for the past several years, might be very quickly eclipsed by others. It was important to have someone carry a message to the new leadership team in Jiangsu suggesting that their leading cadres visit and learn from the Zhu Jiang Delta and the SEZ. It is indeed difficult for people to break with their past!

Later on the provincial governor, Gu Xiulian, arrived, but the first secretary of the provincial CPC committee never did arrive. In the CPC, the first secretary is a key figure. The party espouses democratic centralism, but in practice it is frequently only what the first secretary says that counts. After being in Hong Kong for several years, I could see that not much improvement had occurred in reform and opening to the outside world in Jiangsu. Though this troubled me, for various reasons there was nothing that I could do to help. It was useless to trouble myself.

After becoming acquainted with the secretary of the Shenzhen SEZ Municipal CPC committee and concurrent mayor, Liang Xiang [0719 7844], and deputy secretary and deputy mayor Zhou Ding [0719 7844], their spirit of reform and opening to the outside world, and their boldness and courage in getting things done gave me a very profound impression. At that time, some people criticized Liang Xiang saying: "Shenzhen was interested only in tourism, unlike Shekou, which emphasized the development of industry." Tourism was something new at that time, and now many people understood it. I supported Liang Xiang in acting on the basis of Shenzhen's circumstances to develop tourism, while developing industry at the same time. After smashing the gang of four in Jiangsu, I emphasized the need to develop "smokeless industries," and we operated the first school in the country for the training of tourism personnel. After chatting for a while, the two of us became bosom buddies. He was happy that I was going to Hong Kong and complained that Wang Kuan had not supported the SEZ. The founding of the SEZs was a policy of the Central Committee, so I did not understand why Wang Kuang had not supported them. After arriving in Hong Kong, I heard two stories. Right after the SEZs were

founded, Wang Kuang criticized them saying "unnecessary trouble." Some Hong Kong businessmen wanted to get a cemetery in the SEZ where overseas Chinese and compatriots from Hong Kong and Macao could be buried after they died. Wang Kuang opposed the idea, saying "selling national territory is to lose sovereignty and humiliate the country," thereby raising the issue to the higher plane of principle! This was really incomprehensible.

I admired the openness and the daring spirit of Guangdong Provincial Secretary Ren Zhongyi. At that time, Beijing, as well as many places throughout the country including Guangdong itself, condemned Guangdong and the Shenzhen SEZ a great deal. Some people also "raised the matter to the higher plane of principle and the line" rebuking the SEZs as "new foreign concessions," and saying "the economy has soared to the sky, but the red flag has fallen to the ground," or "several decades of revolutionary bloodletting and sacrifice in exchange for capitalism." The political pressures were very great.

Ren Zhongyi did not scare. He believed that policies from the Central Committee should be employed to the full, "accommodations" made when difficulties arose. Flexible application of Central Committee policies encouraged and supported Guangdong's cadres in the bold exercise of creativity to bring about a new economic situation. A new Guangdong folk saying goes: "When you come to a green light, hurry along; when you come to a yellow light, rush through it; and when you come to a red light, go around it." This saying and the saying that "policies from above propose, but the lower levels dispose" reflect the public's ingenious opposition to and fierce condemnation of some conservative policies.

I mentioned this to Ren Zhongyi, expressing my appreciation for this attitude. He laughed without speaking as though tacitly agreeing and supporting it. After returning to Beijing, I also reported on this situation in Guangdong to Zhao Ziyang. I expressed my appreciation of this opposition to the methods of conservative forces that opposed reform and opening to the outside world. Zhao Ziyang likewise laughed without commenting, in an expression of an attitude of understanding and support. (4)

[9 May 93 p 2]

[Text] 8. Pre-Assignment Enthusiasm Greeted With Cold Faces

Hu Yaobang had warned me that before reporting for duty I must "devour" all Central Committee documents pertaining to Hong Kong and Macao. Hu Qili introduced me to the State Council's Hong Kong and Macao Office, saying that all pertinent documents could be found there. Liao Chengzhi had also given instructions to Li Hou [2621 0683], the secretary of the Hong Kong and Macao Office at that time (who subsequently became deputy director).

This was my first meeting with Li Hou. His impassive face showed not the slightest expression. He was stern to the point of being frightening.

Li Hou brought out several Central Committee documents and led me into an office, which was probably provided especially for the use of cadres from elsewhere who came to read documents. He allowed me to read them there, but he also announced that I could not take them out or take notes.

I read very diligently for two and a half days. Then I told Li Hou that I had read the important parts of them. He asked me what else I wanted to read. Ridiculous! How could I know what other documents were available? Even though I was a little disgruntled, I said politely that since I had read the important ones, never mind.

Strangely, not only Li Hou, but virtually all of the personnel in the Hong Kong and Macao Office never smiled at me. Since I did not know anyone here, when I met someone, I smiled, nodded and greeted him or her, but although occasionally someone nodded in reply, most looked right through me, then walked away. During a two day period, the only one I met with a smiling face was a female comrade who brought me tea.

My secretary also encountered a similar problem. He had trouble completing some matters before we left for Hong Kong. The staff in the Hong Kong and Macao Office lacked a cooperative attitude. He said to me, "The people in the Hong Kong and Macao Office seem not to want us to go to Hong Kong." I rebuked him at once saying: "Don't imagine things."

Nevertheless, I had the feeling that if matters were not handled well between those of us in charge on the ground in Hong Kong and the "officials in the capital," there could be trouble.

At the conclusion of the Sixth NPC, I reached Guangzhou on the way to my post. In Guangzhou I spent every available moment of the remaining less than 10 days to learn more about events in Hong Kong.

Hong Kong XINHUA maintained a "rear area" office in Guangzhou, which was known to the outside world as Guangdong CPC Committee Office Number 8. I asked several deputy XINHUA agency directors who were staying on in Hong Kong to come to Guangzhou individually each day to meet with me and brief me on the matters for which they were responsible.

The first to come was the first agency deputy director, Li Jusheng [2621 5468 3932]. He had helped the previous director, Wang Kuang, in every aspect of work, and he was also in charge of foreign relations and intelligence. I had looked forward with anticipation to meeting him. However, he did not talk at all about his overall duties, and he spoke but very little about the work for which he was responsible. He spoke more about concepts than specifics, making it impossible for me to make heads or tails of his work. In the course of our talk, he also threw

cold water on me when I said that Hu Qili wanted me to write a report within three months on the situation in Hong Kong and Macao, and a fairly full report on future work plans. He laughed disapprovingly. "The situation in Hong Kong and Macao is complex. I don't think anyone would be qualified to talk about it in less than two years," he said. I stared agape at his words. When I asked him to provide documents of the Hong Kong-Macao Work Committee, he also claimed that they were all kept in the archives in Guangzhou, and suggested I myself get them directly from Office Number 8. Like Li Hou, Li Jusheng was unwilling to be helpful.

My meetings with several other deputy directors were generally the same as this one. Their attitude toward me was lukewarm, and their briefings were desultory.

This reminded me of a warning from someone in Beijing before I had begun my journey: "There are some people in Guangdong who have a very strong local point of view and feelings about excluding outsiders. An 'outsider' like you had better be careful." Someone else said that virtually all of the top people in Hong Kong XINHUA are Cantonese. I did not fully believe them at the time, but after several days of contacts with them, I was beginning to learn.

Naturally, there were exceptions. Deputy director Li Qixin [2621 0796 2450], who was also a Cantonese, was rather cordial and sincere. He provided a detailed briefing about the status of the work for which he was responsible, and he asked me some questions as well. He was an old overseas Chinese and a long time member of the Communist Party who had held positions in the Malaysian Communist Party. Now he was a member of the Standing Committee of the Hong Kong and Macao Work Committee (the CPC Hong Kong and Macao Work Committee) responsible for leadership work in the underground party in Hong Kong and Macao. He was directly responsible to Liao Chengzhi, and he also accepted direction from Wang Kuang. Li Qixin criticized Wang Kuang saying: "Usually, he does not ask questions or show much interest in what is said." Nevertheless, Li Qixin, who was more than 70 years old, had already decided that he would retire when Wang Kuang retired. Aside from this, the personnel remaining in the Guangzhou XINHUA Office gladly briefed me on various situations.

I learned from Li Qixin's briefing that the party organization in Hong Kong was divided into two parts. One part consisted of the local underground party members under Li Qixin's leadership; the other part was made up of party members (whose party membership was also not overt) in the XINHUA branch itself and in Hong Kong organizations set up in Hong Kong by various CPC organs. They were under the leadership of the Organization Department of the Hong Kong and Macao Work Committee. XINHUA deputy director Lo Keming [5012 0344 2494] was in charge of this department. Such a division into two parts of a local party organization posed no small number of management and integration

problems. Later on, after I had taken charge, I immediately began an internal reorganization, which combined into one the two parts of the Hong Kong and Macao party organization, mostly with inspiration from Li Qixin.

During my stay in Guangzhou, the help I received from people not so directly connected with me was very great. Guangdong Provincial CPC Committee Secretary Ren Zhongyi vigorously supported my requests for information about the situation in Hong Kong and Macao. Not only did he personally provide me briefings on the situation in Hong Kong and Macao, but he also introduced me to some people who had worked in Hong Kong and Macao. One of these was Liang Weilin [2733 1218 2651], who had been the Hong Kong XINHUA director for many years.

Liang Weilin was very enthusiastic. He talked with me for a fairly long time, telling me quite a bit about the nature of Hong Kong society. However, he repeatedly evaded specifics about work in Hong Kong and Macao being "both leftist and narrow" that the leaders in Beijing had raised and about which I hoped to gain an understanding. It was only later on that I learned that he had been the leader of the so-called "Anti-British Oppose Violence" movement. He himself was one of the representatives of extreme leftism in Hong Kong.

In short, my "enthusiasm" before taking office did not produce the anticipated effect because of time limitations and various obstacles. All I could do was pluck up my courage and "learn to swim by plunging in." (5)

[10 May 93 p 2]

[Text] 9. Across Lohu Bridge

My head filled with new information, new ideas, and numerous questions, and my mind filled with exhilaration and intense feelings about meeting new challenges, I finally set out formally on the way to my new post.

Three newly appointed deputy directors were to have accompanied me. One of them, Li Chuwen [2621 0328 2429], had formerly been director of the Shanghai Foreign Affairs Office. A second, named Chen Daming, had been CPC committee secretary in the Beijing Aviation Academy, and a third was Liao Chengzhi's former secretary, Zheng Weirong [6774 0251 2837]. The Central Committee had them come to Guangzhou to join me following the Sixth NPC. They were to accompany me to Hong Kong. Later on, Liao Chengzhi suddenly became ill and passed away, so Zheng Weirong had to remain in Beijing to help make funeral arrangements. Chen Daming was a Cantonese who had not been back home for a long time. He wanted to stay over for a few days to visit with his family and say hello to his friends. So, in the end, the only one to accompany me was Li Chuwen.

According to Organization Department director Song Renqiong, these three persons had been recommended

by Liao Chengzhi. I had no prior knowledge of them; even their names were new to me.

Li Chuwen had formerly been a party member in charge of religious affairs, whose function had been exposed during the Cultural Revolution. On this account, some people did not agree with his assignment to Hong Kong; they feared it might not sit well outside China. However, he did speak good English; he had experience in foreign affairs work; and Liao Chengzhi insisted that he be assigned to XINHUA in Hong Kong. Chen Daming had been a political commissar in the Hong Kong-Kowloon Da Dui of the Dong Jiang Column in Guangdong Province. He had many contacts in Guangdong and Hong Kong, was familiar with the situation there, and also spoke pretty good English. I met them for the first time in Guangzhou. They were both urbane, and gave me a good impression. Before beginning our journey, I received a notice from the Central Committee Organization Department stating that Zheng Weirong's assignment had been changed; he would not be coming to Hong Kong. I did not know the reason.

Accompanied by personnel from Office No 8, on 30 June 1983 I boarded the express train running from Guangzhou to Hong Kong on the way to my new assignment. When the train reached Lohu Bridge, a Chinese guard got off on one side of the bridge while a Hong Kong British guard boarded on the other side.

As the train rumbled across the bridge, I fancied myself an envoy? No. China did not recognize Hong Kong as a colony. Going through customs at Lohu did not seem like going abroad. Actually, however, Hong Kong had been under British control for more than 100 years. It was a place that was not a foreign country yet was a foreign country. Beyond the Lohu customs was the British flag flying high, and the train had not traveled far before I saw the blue sky, white sun, red ground flag of the Kuomintang fluttering in the breeze.

A special place, a special function, a special mission. Somewhat inattentively, I listened to my companion's commentary. All along the way I was considering how to bring about a new situation in Hong Kong and cope with unpredictable contingencies.

Chapter 2. Arrival in Hong Kong.

1. Image Rebuilding

The train moved slowly into Hung Hom Station in Kowloon.

Accompanying me and Li Chuwen on our assignment to Hong Kong was Li Xiangguo [2621 4161 0948], director of the Guangdong Provincial CPC Committees Office No 8 (the back-up organization for Hong Kong XINHUA in Guangzhou).

Before beginning the journey, Li Xiangguo had told me that Hong Kong XINHUA director Li Jusheng would meet me at the station on the following day.

After the train came to a halt, I saw that XINHUA deputy directors Li Qixin [2621 0796 2450], Cao Weilian [2580 4850 1670], and Hong Kong Political Advisor Robin McLaren (who is now the British ambassador in Beijing) were on the platform awaiting me. Li Jushen did not come.

Following an exchange of amenities with McLaren in the railroad station VIP lounge, the others told me that a group of Hong Kong reporters were waiting outside for me, and that they might want me to say a few words. I had not organized my thoughts at all, so I immediately said: "No questions."

As I hurriedly began to leave the prohibited area in the company of guards from the XINHUA branch, to my surprise the Hong Kong reporters surrounded me all of a sudden. The guards and I walked very rapidly, but they also followed very rapidly asking questions as they pursued. "Why have you come to Hong Kong?" Hurrying along, all I could do was answer factually: "For China's unification." I had no idea that my first appearance at the Hunghom railroad station on my first day in Hong Kong would give the people of Hong Kong the impression that I was a "boorish" high ranking mainland cadre.

Never during the previous several decades had I ever worn western clothing. Even during several visits abroad during the 1970s to Romania, Austria, and Japan, I wore a Chinese tunic. Just before the lunar New Year in 1983, piqued by a sudden impulse, I had the first western suit in my whole life made in Nanjing, but after it was made, I just put it aside without ever wearing it. Now that I had been assigned to Hong Kong, I took this western business suit with me, and on the day before I left for Hong Kong, I put it on for the first time. I asked Li Xiangguo for his comments. During those several days, Li Xiangguo looked after me, preparing everything for my journey. Li Xiangguo looked at me and said very seriously: "It won't do. This is winter material." Actually, not only was it a winter suit, but it was a very ill-fitting winter suit. Looking at myself in the mirror, I saw that it was both baggy and too short. It looked just awful. I didn't know what to do. I opened up my suitcase to see what I could find. Li Xiangguo pointed to a short-sleeve shirt and said, "This will do." On the following day, I put on this short-sleeve shirt, which is called a "sport shirt" in Hong Kong, to travel to Hong Kong. In the summer, I customarily wear dark glasses, so on the day that I left for my assignment, I also wore them as was my custom.

To my surprise, my outfit became a topic for conversation. The newspaper report at the time said: "When he stepped out of the Hunghom railroad station, his attire caused suspicion. He was wearing a pair of dark glasses and an ill-fitting shirt, and his hair was tousled. He was dressed just like a communist cadre."

The reaction of the public to my dark glasses was intense. Some newspaper columnists chided me directly; others ridiculed me indirectly. The XINHUA branch also

received many "letters" suggesting that I take off the dark glasses. The letters said: "In Hong Kong, people generally regard those who wear dark glasses as underworld figures. This hurts the image of Chinese government cadres." On the mainland at that time, it was very common for high ranking cadres to wear dark glasses during summer, but unexpectedly it became a serious matter in Hong Kong. This made me realize intensely that image was not just a trifle having to do with oneself alone.

In matters of image, ordinary people and senior reporter Lu Keng also took me to task. I met Lu Keng through the introduction of a relatively open colleague. This was our first meeting, and since I knew that he had spent more than 20 years in a Chinese Communist jail, I purposely let him do most of the talking so that he could speak his piece. During more than two hours of conversation, I mostly listened to him. Lu Keng was a dignified person who did not raise old grievances. Mostly he criticized the Chinese Communists. Finally he criticized me for not understanding capitalist manners, noting, in particular, that I frequently did not wear a necktie when meeting guests. He said: "Capitalist pay a lot of attention to image. If you want to get people to accept your views, image is very important." Every time that he meets reporters, goes on television, or gives a speech, American President Reagan has an image advisor responsible for his appearance. This was something I had never heard of. I immediately said sincerely: "Thank you for your good advice." Thereafter, wearing a necktie became obligatory when I met guests.

On my second day in Hong Kong, the first matter to attend to was to have a suit made at the China Products Company. The China Products Company gave a 20 percent discount on purchases by XINHUA personnel. I spent HK\$600, which I felt was pretty good. But not long afterward, one cadre told me with good intentions: "People are saying that the style of your suit is out of date, and the material is poor as well. It is not in keeping with your status." I had also noticed that the deputy directors at the agency all wore casual clothing in the office, changing to a business suit only when they went out, and it seemed that most of them had been wearing the same suit for a long time. I brought up this matter in a meeting. Everyone said that because of their low salaries, there was nothing else they could do. The State Council had a rule that everyone at the deputy director level and above could get an additional suit each year. In Hong Kong society, especially in the top levels of society, not only did people have clothes for spring, summer, autumn, and winter, but they had to change style every year as well. The State Council regulation would not permit us to do this. Even though this discussion produced no solution to the problem, it increased my knowledge about dressing. One year later, after a struggle, approval was obtained from the Ministry of Finance for XINHUA cadres at the deputy director level and above to receive an allowance for one suit of clothing. Thus, deputy directors and above obtained another suit of clothes.

Not just clothing, but even my automobile had to be pondered. The person in charge of Hong Kong XINHUA's administrative department also asked what model automobile I would like. I replied that in Jiangsu I had used a Japanese [Toyota] Crown, so I would prefer a Crown. He disapproved for the reason that "it is not in keeping with the director's status." It would not be allowed through the entrance of some places. He wanted me to ride in a Peugeot. He also asked what color I wanted. I did not understand why one had to consider the color of one's vehicle too. He explained: "Most agency directors have black automobiles—the same color as high officials in the Hong Kong British government. The Hong Kong British police asked the XINHUA security unit's opinion, suggesting that it chose some other color. Director Wang Kuang and the others did not agree. He also brought up security matters in using an automobile such as the Hong Kong British intelligence authorities putting listening devices into it during maintenance, repair, or when it was parked. The XINHUA branch maintained its own repair shop, and when a vehicle was parked outside, someone always remained with it. I then said: "For security reasons, we should no longer use a black automobile, and we should also do as the British authorities ask."

There were two other stories connected with a car model symbolizing one's status.

In 1984, one person wanted to spend HK\$900,000 to buy a 90 percent new Rolls Royce, which he intended to give to me. This was an extremely cheap price. He was reacting to the suggestion of a deputy director that only such a vehicle "was in keeping with the status of the director." I thanked him for his kindness, but declined to accept it. Li Kashing suggested to me in person twice within a single year that "a person of your position traveling back and forth between Hong Kong and Beijing should have a small airplane. That would be a great convenience." Such a suggestion was even more impossible than riding in a Rolls Royce. I demurred saying: "There are no small jet planes, are there?" Li Kashing said earnestly, "Yes, there are, and their performance is as good as the large ones." I said I understood his good intentions, but that there was no urgency at the moment. I thanked him for his concern.

In September 1983, I used the opportunity that a return to inland China to make a report afforded to spend a little more than 10 yuan to buy a pair of ordinary glasses in Nanjing, and on the eve of the national anniversary, I spent another HK\$800 to have a business suit made. At a national anniversary party on 1 October, I wore my new glasses, and put on my new western business suit to "show off." Of course, my friends approved, and some columnists as well as "mail" said that I "readily accepted good advice." One columnist even guessed that I spent HK\$1,000 for the new eye glasses. I was happy that my image found favor with the Hong Kong public. (6)

[11 May 93 p 2]

[Text] 2. A Visit to the Kowloon Walled City

I have worked in the provinces, led troops, and fought in battle, and every time I go to a new place, I take a look at the "terrain" first. During my first two months or more in Hong Kong, I traveled wherever an automobile could go on Hong Kong Island, Kowloon, and the New Territories. But what attracted the attention of the public was my visit to the Walled City in Kowloon.

The Jurisdiction Over Which None of Three Parties Exercise Control, Prostitution, Gambling, and Drugs Rife

In 1898, Great Britain leased the northern part of Kowloon, i.e., the area from Boundary Street northward to Shenzhen, but the Qing Court insisted on retaining the Walled City of Kowloon and sent officials to garrison it. In the year following the lease, however, it did not send officials to garrison it. From the late Qing to the early days of the Republic, negotiations were frequently conducted about sovereignty over the Walled City. Since the status of the Walled City was special, personnel from the Hong Kong British government could not enter it. It became a jurisdiction over which none of three parties exercised control. The Kuomintang government did not control it; the Chinese government did not control it, and the British government did not control it. It became an area rife with prostitution, gambling, and drugs.

XINHUA Deputy Secretary Huang Wenfang [7806 2429 2397] was an old Hong Kong hand who was very well informed about the Walled City. I proposed a visit to the Walled City and asked him to give me a briefing on it. He told me that the power of criminal gangs has waned in the Walled City, and that the prostitution, gambling, and drug situation there is much better than previously. The Ch'engch'ai Neighborhood Welfare Promotion Association is a self-ruling body that the residents have set up themselves. Inside the Walled City are several Communist Party members whose personal relations with the actual person in charge of the self-rule body—the secretary of the self-rule organization—are quite good. He felt that my safety during a visit to the Walled City would not be a problem.

On 7 August, accompanied by Huang Wenfang, we drove there. We alighted outside the wall and walked through a narrow street on both sides of which were nothing but dilapidated houses. Looking upward, a canopy of window sills and cat walks covered the street, which was dark and dank and from which not even a sliver of the sky could be seen. The guards would not let me stop to talk to any of the residents. After walking not very far, to my surprise, the accompanying security guard said we had already emerged from the Walled City. I asked with astonishment why it was so short! Huang Wenfang suggested we visit the Neighborhood Welfare Enterprise Promotion Association. I walked with him along the street outside the Walled City where I saw numerous dentist signboards. Huang Wenfang told me that most of these were unlicensed doctors whom the Hong Kong British government did not control and

whose fees were small. He said: "Some of our XINHUA branch people also come here for dental work."

Failure To Notify Hong Kong Government Sets Off a Ripple Effect

We went up a narrow staircase to a room measuring slightly more than 10 square meters where we met the secretary of the Self-Rule Organization Office, Liu Ziqun [0491 1311 5028]. Young and capable, he greeted us enthusiastically. He said that the residents were pretty well united, but living conditions were poor. Drinking water was a particular problem. At the request of the residents, the Hong Kong British government had also helped out on some problems, but far less than had been requested. I sympathized with their predicament, and I said that under the present circumstances, they would have to depend on themselves to get the British government to make improvements. I would also consider intervening with the Hong Kong British government at the appropriate time; however, I did not make any overt promises at the time. Liu Ziqun also said that quite a few Hong Kong residents who had fled from the mainland were worried that after 1997 "accounts might be settled" with them. They also worried that Hong Kong compatriots might also be prejudiced against them. I knew that quite a few people from the mainland in Hong Kong had the same apprehensions, so I took this opportunity to say that, all Hong Kong inhabitants are compatriots of Hong Kong people from the mainland, and that many Hong Kong inhabitants originally came from the mainland. Everyone should unite. Whatever the reason they came, so long as they are for the unity of the motherland, they are patriots. Even if they came out because they were in trouble on the mainland, there will be no "settling of accounts."

Senior report Yin Xincheng [3009 2450 6134] of a sub-branch of the XINHUA branch accompanied me on the visit. We had originally decided that a report only for "internal reference" would be issued on this trip. No news release would be made. After hearing my remarks, he suggested that issuance of a news release might have the effect of calming people who had come from the mainland. Feeling that what he said made sense, I agreed, never realizing that a single stone would set off a ripple effect, and would ultimately set off a fairly good size storm.

On the following day, most Hong Kong newspapers gave prominent place to this news, and some newspapers carried editorials. On the same day, the Hong Kong British government issued a statement that accused the Neighborhood Welfare Enterprise Promotion Association of being an unregistered body whose membership and election procedures had not been recorded. The announcement also said that government had always been sympathetic and concerned about the circumstances of the inhabitants of the Walled City, but because of various restrictions, the services that government

provides have been limited. The statement was especially strong. I had not notified the Hong Kong government in advance of my visit. Ha Ting Kei [1115 7844 1015] of the Colonial Secretariat immediately conducted an "inspection" of the area surrounding the Walled City, and he promised to improve the Walled City's water supply.

The Hong Kong British government's reaction was clearly excessive. The Walled City belongs to China, so why should a social body there have to register with Britain? I had been all over Hong Kong without violating Hong Kong ordinances, so when I visited China's Walled City, what need was there to "notify" the Hong Kong authorities?

After consulting with XINHUA's Foreign Affairs Department, I decided to "ignore" the Hong Kong authorities' statement. Nevertheless, the Foreign Affairs Department also reminded me that I "better notify the Ministry of Foreign Affairs." I agreed. I filed a report with the Ministry of Foreign Affairs in the name of the XINHUA branch's Foreign Affairs Department.

Regarding the news media's criticism, the Propaganda Department recommended a "counterattack" because it felt that some publications had been excessive in their criticism of this trip to conform to the Hong Kong British government's position. A new arrival who did not know the proper limits, I not only agreed but also advocated counter-criticism in the form of naming those who had gone too far. This set off another counterattack in turn that said we "labelled people arbitrarily." The response was very poor.

I accepted the lesson, and discussed the matter with the Propaganda Department. Next time, when criticizing articles that hurl invective against the CPC, as a rule there was to be no counter criticism, particularly counter criticism that named names. Instead "positive propaganda" was to be the method used. I learned that in both the mainland and Hong Kong, the greater the criticism, the greater the smell.

I supposed the incident to be over. In September when I returned to Beijing to make a report, I paid a call on President Li Xiannian.

Li asked, "You visited the Kowloon Walled City, did you?" I answered, "Yes." Li Xiannian said: "Then why don't you go visit your own son!" I felt that some people at a high level in Beijing did not agree with my visit to the Walled City and were critical of me. Li Xiannian was protecting me; he was defending me against injustice.

Later on, someone told me that both the Hong Kong and Macao Office and the Ministry of Foreign Affairs had written reports on this matter, meaning that they had complained to the Central Committee.

This was followed by another incident. On Hong Kong Restoration Day (the British government's restoration of

Hong Kong role following Japan's unconditional surrender in World War II), deputy agency director Chen Daming decided to join with Hong Kong comrades from the former Dong Jiang Column (a Communist Party underground organization near Hong Kong during the War of Resistance Against Japan) to take part in commemoration activities at the War of Resistance Martyrs' Memorial in the New Territories that a meeting of the Work Committee had approved. TA KUNG PAO and WEN HUI PAO carried reports, and WEN HUI PAO had issued a special page on the events. I was attending meetings in Beijing at that time. At the meeting hall, Li Hou handed me the TA KUNG PAO and WEN HUI PAO press clippings to which was attached Li Hou's comment: "Ask Comrades Pengfei and Jiatun to read. Li Hou."

I realized that Li Hou did not agree with Chen Daming's participation in the memorial activities, and that he did not approve of the overt reporting of it. I immediately explained matters to Li Hou: "The memorial activities do not violate Hong Kong law; they help increase the national consciousness of Hong Kong compatriots; the Work Committee agreed to the ceremony after discussing it; and the newspapers' handling of the matter was not the work of the Work Committee, but there is nothing wrong with it in my view." Li Hou listened without comment; then he handed the clippings to Ji Pengfei to read. Ji Pengfei was in the midst of a discussion, so he just glanced at them and put them down. I could not understand why after more than a week, Li Hou was only now discovering a problem. Later on, a person in the Hong Kong and Macao Office revealed that some people in Hong Kong had "complained."

Hong Kong Food Hard to Take

I began to realize that I was in an environment beset by "domestic troubles and foreign scourges." Once when Zhang Jingfu [1728 0513 1133], State Council member and secretary of the Central Finance and Economics Leadership Team and I were chatting, he said to me jokingly: "This Hong Kong food is really hard to take."

[12 May 93 p 2]

[Text] 3. Wallowing in the Same Mire Without Becoming Dirty

It was only after arriving in Hong Kong that I found out that few members of the Hong Kong public knew about the XINHUA branch, and even if they did know about it, most supposed it to be a news agency. The number of people who truly knew about its special nature were very few. As a news agency, it did not issue much news. As a nonnews agency, the name cards of those who associated outside it carried the designations reporter and editor. Most of them did not even have a name card, nor did they seem to be reporters or editors. In short, in the eyes of many people, XINHUA was very mysterious.

XINHUA did have contact with the outside world, but its circle of associations was very narrow, and its leaders

rarely appeared at open functions. In paying calls on some foreign organizations in Hong Kong, including consulates, following my arrival in Hong Kong, I found that some people did not know that the XINHUA branch was also responsible for diplomatic matters.

After the so-called "Anti-Britain, Resist Tyranny" (a Hong Kong leftist riot), some people had a dread of the XINHUA branch, and toward China-owned organizations in general. The local cadres said that "for a time, Hong Kong residents did not dare go to the China Products Company to buy things, and some even detoured around it to avoid getting near it." We did not dare reveal our XINHUA identities in contacts with the public. The public looked askance at the employees of China-owned organizations. They looked down on them and called them "lefties" behind their backs.

I asked the meaning of "lefties." They told me that this was a derogatory term that the Hong Kong public used to denote ultra-leftists in leftist organizations following "Anti-Britain, Resist Tyranny." They also said that the public described XINHUA in several ways. One was to call it the "Temple of the City God." The city god is the head of the imps in the nether world, and the temple of the city god is mysterious and shadowy. Clearly, this was a derogatory term.

The general feeling around town was also that XINHUA cadres never got close to anyone. They rarely accepted invitations, and even less did they take the initiative in asking people to dine. Some people described the XINHUA branch personnel as "tigers" who never invited anyone to eat but only "ate people" themselves. This reflected the dissatisfaction of those people who did have dealings with XINHUA.

Cadres in the branch's news organization and in China-owned organizations were also discontent. They said that the XINHUA branch leaders limited their activities. Cadres sent out from the mainland, as well as diplomatic personnel living outside an embassy, were not allowed to go out on the street alone. A group of three had to go together, and every event and every contact had to be reported. Local Hong Kong cadres also had to report on their own activities.

These people had families, relatives and friends among the public. How could they report every action and every contact following their return. This was very difficult to do. It could not be done, but it was insisted upon; consequently, personnel in China-owned organizations resented it. People in China-owned organizations said that their feelings toward the XINHUA branch were that they "should not approach the gods lightly" for fear of bringing trouble upon themselves.

These reports made me feel that our work style had to be changed. The XINHUA branch and its cadres should be allowed to have contact with the public. They should be allowed to understand Hong Kong society and allow Hong Kong society to understand the agency and get to know the cadres of Chinese organizations. Only by

freeing the hands and feet of the cadres to engage in social activities on a wide scale could the party's and government's proposals and policies be publicized to the Hong Kong public to win acceptance of our efforts to build a new image, including the image of individual cadres and organizations. We would have to become like the local people in order for the Hong Kong public to accept us. We would have to "fit in" with the local people.

When I raised this issue internally, Li Jusheng said that if we did this, wouldn't we be dissolved by capitalism, wouldn't we become debased? Premier Zhou Enlai had said that people sent abroad should "stay out of the mire and not be contaminated by it; they should remain unsullied and pure."

I said that "indulgence in self-admiration can only result in setting us apart from the public, and that following this principle alone will make it impossible to respond to the tasks to be performed in Hong Kong today. Another principle should be added, namely 'wallowing in the same mire without becoming dirty.' Responding to the public will require going along with the public's customs and habits. This is the only way to get close to the public to do our job. Certainly, we should not have anything to do with the things in this society that are corrupt and dirty. We should not be defiled by them. Not only should we communists reject such things, but I think upstanding people in Hong Kong society also reject them."

4. Breaking Taboos To Do as the Romans Do

I knew that putting work on a new footing in Hong Kong would mean emancipating thinking to break the various limitations and taboos that made the work of the Hong Kong and Macao Work Committee "both leftist and narrow."

For a long time, the XINHUA building in Hong Kong had been regarded as a "deep sea" into which ordinary people could not venture. Some people said that the past several agency directors had been mysterious figures who "closed the door and never came out." This description may have been somewhat exaggerated, but there could be little doubt that this was the image. I decided to break down the closed door by inviting guests inside XINHUA.

Ten days after my arrival in Hong Kong, we held a banquet in the XINHUA building in honor of the Chinese women's volley ball team, which had just won the women's world volley ball championship. We took this opportunity to invite noted Hong Kong sports personalities.

Invitations to Hong Kong people to come to the XINHUA building were also not just for social events; more commonly they were to exchange views. On 12 September I invited some representatives of the Hong Kong University Students' Association to XINHUA to meet with me as well as Chen Daming and Yang Qi [2799 1421]. These students had come to the agency in mid-August to present a petition that set forth views on

the current political situation about which they and the Chinese Communists differed, and they had requested a meeting with us to discuss them. I hoped to use this opportunity to let the outside world know that we listened not only to the views of pro-communists but also to the views to anti-communists. I listened patiently to their views and replied to the questions they raised. These young people cared greatly about society, were concerned for the motherland, were innocent and pure, and extremely endearing. Together with them, I myself felt much younger. At the meeting, I stated openly for the first time that the Chinese Communists would permit the existence of different political views in Hong Kong, and that rightists could continue to demonstrate, publish newspapers and magazines, and even criticize the CPC. Newspapers gave widespread coverage to this matter. (8)

[13 May 93 p 2]

[Text] 4. Breaking Taboos To Do as the Romans Do (Continued)

Li Mingze was an old friend of the CPC. In July, before I left for my Hong Kong post, he came to Beijing where he visited Li Xiannian. When Li Xiannian met with him, I was also present. Later on, when Li Xiannian invited him to dinner at Zhongnanhai, we met once again. We were seated opposite each other.

Not long after returning to Hong Kong, Li Mingze suddenly developed heart trouble and went to the hospital. By the time I found out and went to see him, it was the third day since he had fallen ill. Li Mingze's wife told me that "Mr. Li has always been very healthy with no sign of heart trouble in the past. After three days in the hospital, he wanted to return home." Mrs. Li wanted me to help her by urging Li Mingze to stay in the hospital for another few days. When I went to see Li Mingze, he had gotten out of bed and was sitting there waiting for me. When I asked him how he was, he replied: "I'm fine. They are too jittery." I urged him to stay in the hospital for a few more days rest. I said: "You look in the pink. Your health is very good. But you should be careful, the better your health, the more careful you should be. You had better listen to the doctor and stay for another two days rest." Li Mingze said very confidently, "I have my own ideas. I thank you for your kind concern." After a few formalities, I said good-bye, and Li Mingze left the hospital and returned home after me. Unexpectedly, two days later he had another heart attack that ended in death.

He was our old friend, and a prospective member of the united front. Deputy agency director Qi Feng [4362 1496] helped with the planning of his funeral arrangements. Qi Feng suggested I participate in the funeral arrangements committee as the head of the committee, but I could not decide whether to become a pailbearer during the burial rites since there was no precedent for this.

Pallbearer for a Capitalist; Takes Part in the Wedding of the Scion of a Rich Businessman

The CPC leader in the Hong Kong-Macao region is a representative of the State Council. Would serving as the head of the funeral arrangements committee for a well-known deceased capitalist, and playing the role of "filial" son in serving as a pallbearer for him (customarily, pallbearers are sons and grandsons of the deceased) become a class "standpoint" issue? Qi Feng did not dare decide. I reasoned that since I served as head of the funeral arrangements committee, why should I not be a pallbearer? Everyone agreed with my view.

By custom, such a matter should be reported to Beijing for approval, but I feared that people in the Beijing office would disagree and put obstacles in the way, so I did not file a report to get approval. None of the deputy directors objected, so the motion passed.

The funeral rites of 11 July were Buddhist. Following custom, I took part in the entire process. In the pall-bearing ceremony, I occupied the lead position. There were eight pallbearers—Chung Shih-yuan [6945 1102 0337], chairman of the Hong Kong Legislative Council, and well-known businessman Pao Yu-kang [0545 3768 0474] among them. Carrying the bier, we moved with slow steps out of the ceremonial hall. Funeral guests lined both sides, looking on respectfully.

My mind was a tangle of confusion. I was willing to bear any risk for the sake of one country two systems. Afterward, I said half seriously and half jokingly to several colleagues with whom I was on fairly good terms that "If, by chance, another great cultural revolution should occur, I would never be able to explain this Hong Kong segment of my life." They said, "What are you worried about? You did this for the job, not for yourself."

True. Possibly I was the first local CPC leader who ever served openly as a pallbearer for a capitalist. Some people in the party might regard this as a departure from class standpoint. But Li Mingze was our old friend and a good friend. Now that he had passed away, we should express our sincere esteem and respect for him. I also hoped that Hong Kong capitalists and the public would see that the CPC is not heartless and an alien that has nothing in common with them.

My participation in the wedding of T'ang Hsiang-ch'ien's [0781 5045 0578] son was yet another test. T'ang Hsiang-ch'ien is a rich Shanghai businessman in Hong Kong who had invested in the mainland and who was also a united front prospect and old friend. When he was to be married, he sent a wedding invitation to me. I queried the United Front Department about how the XINHUA branch should handle it. They said that Wang Kuang had never taken part in such events. This was also a class standpoint issue. To express the CPC's sincerity for one country two systems in practice, and conform to popular custom, and to go out into society, I sent my congratulations, and I also attended the T'ang family's wedding banquet. I remember that the wedding banquet

was held at the Li-ching Hotel in Tsimshatsui, that it was a 100 table banquet, that the place was jam packed, and that it was a gala event. The T'ang family was delighted that I attended the wedding banquet. I attended the banquet from start to finish, watched the ceremony, listened to the songs, watched the dances, ate the food, and returned home filled with joy. I felt calm and no longer concerned.

For the sake of building contacts with the public and becoming a part of society, I attended numerous events such as the opening of various companies and enterprises or on their anniversaries, the completion of building construction, openings of exhibitions, cocktail parties and banquets, education contests, and plays.

I estimate that during 1984 and 1985, I attended more than 500 such events. I roused everyone to change their ways of doing things by taking part in more social activities and contacting more people in society. I particularly hoped that those in charge of China-owned agencies would make more business contacts, and meet more people too. I did not require that they talk politics with the people they meant. Being able to make friends was itself work.

I also practiced being a Roman when in Rome. On New Year's day and other holidays, I sent gifts and paid calls on important friends and united front prospects, both making friendly contacts and making the other parties feel they were respected. Earlier I had asked the United Front Department to designate 30 or 40 people to whom I should send famous Chinese fruits. When lichees were in season, I sent lichees, and when Hami melons were in season, I sent Hami melons. These were a small number of the mainland fruits that the mainland produced that could be sent as gifts. Hong Kong had an abundant supply of melons. Every melon in the world was available there in profusion, but there were only two and one-half fruits from the mainland that were good enough for presentation. They were lichees, Hami melons and, to some extent, Tianjin pears. This was the disastrous result of the mainland's pursuit for many years of a policy of "taking grain as the key link" to the neglect of fruit propagation, which caused a regression of varieties.

As the number of friends increased, the number of recipients of gifts also expanded to 100. Each year at the lunar New Year and the western New Year, I had to send out New Year's cards, the number increasing from more than 1,000 to 3,000 or 4,000. For a small number of well-known members of the public, I also sent a gift of peonies. The recipients of fruits and flowers included the top level of the Hong Kong British government such as the governor and the Colonial Secretariat. These were things that XINHUA had never done before.

Much of the making of friends, discussions of official business, and business discussions in Hong Kong occur over dim sum or lunch in Hong Kong, and even more is done over dinner. I proposed to the Work Committee that we should also take the initiative in inviting people

in to dine, and that we should respond to invitations sent to us as the main ways of doing our work. I also set standards for the branch's leading cadres and persons in charge of each section to follow in inviting guests to dine.

**A One Word Change in Revolution Is a Dinner Party
Conforms to Reality**

One columnist teased: The XINHUA branch has revised the quotation in Mao Zedong in the "little red book" from "a revolution is not a dinner party" to "a revolution is a dinner party." I did not take this amiss. This single word change was a good one. It was a change that conformed to reality.

At the beginning, I was very unaccustomed to working and making friends at meals.

Many Cantonese dishes I could not eat. Things like Hong Kong's famous garoupa fish, and laoshuban [5071 7857 2432], I never ate. I only ate yellow croaker. Later on, several restaurants noted this, and when fish was served, they cooked some yellow croaker especially for me. In Hong Kong, yellow croaker is not served at a formal banquet. I had to ridicule myself for having been born with plebeian tastes. Nor could I drink very much (unlike Zhou Nan who, after coming to Hong Kong, could down a large glass of XO).

"Eating" soon became a very heavy burden. Not only did I have to eat lunch and dinner, but sometimes I had to go to several dinners in the same evening. I felt this was a dangerous road. Each time we had people to dinner, it meant two to three hours. Later on, we purposely cut back to six courses, but we still had to spend two hours. Each time I ate, if I was not the host, I was frequently the main guest, and once a main topic had been discussed, I would have to think constantly of something to talk about. If guests had a question about a political topic, I had to answer. If they did not bring one up, I would not talk politics. Not politicizing a banquet atmosphere at every turn was an experience I learned after coming to Hong Kong. Only by constantly racking my brains for ideas to talk about was I able to improve my small talk capabilities. The result was that each time I dined, I used my mouth but little for eating but a lot for talking. This was training that I had never had before.

Today I still feel that this way of doing things was rather important and produced very good results. After taking over the position, Zhou Nan criticized me for being extravagant and wasteful. I felt this was a distortion of the facts. When I heard about this after coming to America, I laughed. Since they have criticized me for doing this, they should completely give up this way of doing things themselves. Can Zhou Nan do that? During these several years at the XINHUA branch, is not Zhou Nan still "eating, drinking, and being extravagant and wasteful?"

PROVINCIAL

Impact of Zhujiang Real Estate Boom on Arable Land

93CE0503A Hong Kong CHENG MING
[CONTENDING] in Chinese 1 May 93 pp 32-34

[Article by Shu Mei: "What Will We Eat in a Few Years? - The Zhujiang Delta's Real Estate Boom Sets Off Introspection"]

[Text] Problems Brought by Real Estate Boom

Near metropolitan Guangzhou in the southern part of China, the water of Zhujiang, flows to the Dongjiang, Beijiang, and Xijiang and empties into the South China Sea. After experiencing hundreds and thousands years of swift changes, the rivers carried the mud and sand washed down from their upper reaches into the sea entrance area to form a piece of fertile land with a criss-cross network of waterways. Historically, it has been the richest area in Guangdong Province, and the Zhujiang Delta is almost the synonym of the land of plenty.

Even before the Guangdong provincial government decided to open up the Zhujiang Delta as an economic open zone early in January 1985, economic activities that involved foreign trade already took place in this area actively. Since the Zhujiang Delta is adjacent to Hong Kong and Macau, the economic transactions among them are large in number and scope. In addition, the area's rich labor resources also made the "three forms of import processing and compensation trade" town and township enterprises (import processing, processing buyer's samples, and imported spare parts for assembling, and compensation trade) spring like mushrooms in various places in the Zhujiang Delta after the area used the imported raw materials and introduced advanced technology and facilities.

In 1987, the Zhujiang Delta economic open zone expanded from a "small triangle" to a "big triangle" that consists of 28 cities and counties (including the two special economic zones in Guangzhou, Shenzhen and Zhuhai) and a population of 20 million people. In the transformation process from being small to big, the economy of the Zhujiang Delta has experienced subtle change; in particular, the recent real estate boom has made the fertile land deteriorate...

"Land Encirclement" Campaigns Have Made Fertile Farmland Disappear

"Look, who wants to till the land nowadays? My contracted land is farmed by people from Hunan. I work in transportation. I make 300 to 500 yuan each time I go to Guangzhou." The person who said this is a distant relative. He lived in the lower railings of Zhuhai, Guantang. When I walked on the seemingly familiar small country road, I was stunned by what I saw in front of me. The fertile farmland is mostly flattened, replaced by

rows of beautiful villas. Few local people till the land now, my relative said, and some hire vagabonds to farm the land. Now output quotas are contracted to households, but recently the prices of chemical fertilizer and plastic film has skyrocketed; after deducting the cost and paying the agricultural tax, a strong laborer has an income of only a little more than 1,000 yuan annually. So my relative "transferred the contract" of the land to some Hunan people, and carried on his transportation business. Sometimes he would receive several orders all at once, and make more than 3,000 yuan each time. Thanks to a large number of foreign businessmen who established factories and started real estate, transporting goods and building materials have become the hottest business for the local peasants. If they own a truck, they own a gold mine. This relative's villa was completed two years ago, has a genuine leather sofa, matching furniture, and a first class Sansui brand hi-fi system. This made me, a visitor from Hong Kong, feel inferior. However, my relative is still not satisfied. He said that the style of his villa is too out-dated, new villas all resemble those in foreign countries such as in Spain, France, and England, and only these are considered stylish!

My relative took me to the village entrance, which in the past, was farmland. It is levelled now. In addition, encircling blocks of contracted land seems to have gobbled up all the arable land. Some young peasants have become plasterers. I could not help asking: If arable land is used to build houses, what will one eat in the future?

My relative seemed to be perplexed too. He said: "Developing real estate" is in vogue now; however, this kind of development is not the same as developing barren land because the latter costs a lot more money, and real estate developers are not that dumb. Moreover, arable land is close to the farmers' households where there are public roads that make building sewers easier. Therefore, arable land has become the hottest item in this real estate boom recently. He pointed to some levelled flat land in the distance and said that this land has already been contracted to a Taiwanese businessman.

As far as the future is concerned, my relative said that the peasants cannot worry about these problems because such "land encirclement" campaigns are fully supported by people in high positions. People who have their own trucks to do business, like my relative, are still in the minority; after all, the majority of peasants hope to sell their land to share the money among themselves. They know that CPC policies can change at any time; therefore, having money "by their side" gives them a sense of security. Besides, there are many alternatives for the peasants' future. So my relative's neighbors have become the farm workers of the foreign or township enterprises.

Peasants Are Still the Lowest Class

My relative could not help sighing at this point of our conversation. He said that originally the land should be the lifeblood of the peasants; however, onerous taxation and issuance of IOUs has made them question the value

of their labor. In the past, the grandfather's generation went across the ocean to "dig gold" in San Francisco, but in the end, they would always give up their adopted home and return to the motherland. But the new generation relentlessly is almost duty bound to abandon the land and seek an unknown future.

This relative also said with great emotion that people engage in transportation because peasants are looked down upon by others everywhere. They have great physical strength, and are willing to do the dirty work that is despised by others. Sometimes to rush the job, they sleep in trucks for only two to three hours to get it done. Their hardwork is no less than that of working on a farm. But farmers who work in factories complained to my relative that the plant supervisor treated them like robots, and said with a big grin: "There are farmers everywhere; if you don't do it, I can always find someone else. If you don't do a good job, I can fire you and find others. Since we can afford the salaries, we are not afraid of not being able to recruit farm workers!" In fact, farm workers are confused about their own identities; they ask: What are we? Workers or peasants? Masters or slaves? How does the country view us? How can the law and policies protect us?

Selling Fertile Farmland Created "Imaginative Figures" of the Output Value

Compared with the peasants in Zhuhai and Zhongshan, the situation of those in Dongwan is different. People who pay attention to the real estate market all notice that Dongwan is one of the places that promotes sales, and carries out the "land encirclement" campaign enthusiastically. A large amount of fertile farmland has been sold. The local peasants said: Every time they sell the land for 10,000 yuan, the town take 40 percent, the small unit (the original production team) will take 30 percent, and the peasants only get 3,000. Without doubt, it has made a group of corrupt officials fat by selling fertile farmland. Peasants have no autonomy. Once a command is passed down, the farmland that is under tilling is required to be given up immediately. It is reported that most of the local township enterprises are losing money. If they go bankrupt, many peasants will lose their jobs because they already have no land to till. The department concerned simply adopted a temporary solution extorting more fertile farmland to sell to foreign businessmen, not only making profit for themselves, but also enabled them to boast to the outside that the national output value of the township enterprises was going up. In fact, these figures were all "fake"; they were used to fool people in a higher rank only.

Violent Struggles Against Selling Arable Land

These methods have aroused the anger of the local people. The peasants said: "In the past, the CPC appealed to us to denounce the property owners and share their land. Now CPC officers share our own land privately. They turn all fertile farmland into houses. What will we eat in a few years?"

At the same time, the violence of the peasants to fight selling farmland also emerged one after another—the vice chief of Humen town was beaten up and hurt by the people of Shegang village. He had to stay in the hospital for treatment.

The people of the Shatou and Shangsha villages in Changan town rose in rebellion. They lifted the big banner, held demonstrations and marches. They submitted a written statement to the authorities: "Give me back my land, and punish the corrupt officials harshly!"

The peasants of the Beizha and Longyan villages in Humen town damaged the private car that belonged to the secretary of the town branch office of the CPC.

In Baisha village, Humen town, the people blocked traffic to oppose selling farmland. They paralyzed traffic on Guangshen highway for several hours.

There were also a number of peasants who complained that they are now borrowing money to pay salaries of the public servants, and even this money is taken away from selling their fertile farmland. If they go on like this, how can they get along?

Fujian Province Farmland Is Lost Every Year

According to the information provided in 1987, there were about 1.5 billion mu of cultivated land in mainland China (less than one-tenth the total of steady and high output; 600 million mu is barren, dry, or severely affected by salt and alkali). What made people feel sorry was that the Zhujiang Delta was within the one-tenth of the land that produced the most. At present, the loss of fertile farmland caused by the "land encirclement boom" is still unknown. Old statistics indicated that from 1957 to 1977 China wasted 440 million mu of arable land due to construction of various kinds, abandonment, and waste. Some 260 million mu were opened up during the same period so that the net loss was 180 million acres, which equalled the combined area of arable land in the three provinces of Guangdong, Guangxi, and Sichuan, and equalled the annual loss of arable land in Fujian. Why shouldn't such threatening figures arouse attention? Moreover, the dissatisfaction and anger among the peasants aroused by the heavy request of fertile farmland is expanding, and the rift within the peasants themselves is intensifying. For China, a country that still considers agriculture its "basis of foundation," all of this, without doubt, is a volcano that may erupt at any time.

INDUSTRY

May Statistics on Industrial Output Value by Area

HK2106121093 Beijing CEI Database in English
21 Jun 93

[Text] Beijing (CEIS)—Following is a list showing the industrial output value by area in China in May 1993, released by the State Statistical Bureau:

Area	(Unit: 100 million yuan)		
	5/93	5/92	Change Over 5/92 (pc)
National total	3022.09	2373.07	3.6
Beijing	86.72	72.25	3.7
Tianjin	72.68	59.93	4.3
Hebei	113.68	94.72	3.9
Shanxi	55.85	48.93	5.0
Inner Mongolia	27.62	24.77	3.3
Liaoning	172.86	148.52	7.2
Jilin	63.18	53.15	6.2
Heilongjiang	80.54	75.99	6.2
Shanghai	210.15	181.01	-1.2
Jiangsu	432.68	300.17	2.0
Zhejiang	210.01	149.47	-0.2
Anhui	46.01	65.01	4.5
Fujian	74.31	49.82	9.6
Jiangxi	53.28	42.21	4.1
Shandong	267.53	197.05	6.4
Henan	111.84	91.13	6.6
Hubei	127.25	102.04	3.4
Hunan	83.05	71.75	4.8
Guangdong	300.69	216.19	4.4
Guangxi	47.18	37.41	-0.9
Hainan	6.28	4.49	8.4
Sichuan	158.32	125.65	5.7
Guizhou	23.40	21.78	0.9
Yunnan	38.36	31.11	-7.0
Tibet			
Shaanxi	50.51	43.31	6.0
Gansu	31.16	28.87	3.1
Qinghai	5.84	5.30	-3.3
Ningxia	8.35	7.13	3.3
Xinjiang	22.76	20.35	0

Note: industrial output value in 1992 is measured in 1990's constant yuan.

Output of Top Ten Steel Makers in May

HK2506100893 Beijing CEI Database in English
25 Jun 93

[Text] Beijing (CEIS)—Following is the monthly output of China's top 10 iron and steel companies in May released by the Ministry of Metallurgical Industry:

	(Unit: 10,000 tons)		
	May	Jan-May	Change Over prv. Jan-May
Capital iron and steel complex	48.34	245.81	21.83 pc [percent]
Anshan iron and steel company	71.52	354.35	1.97 pc
Baoshan iron and steel complex	58.06	284.54	8.27 pc
Shanghai iron and steel company	49.84	256.65	6.66 pc
Baotou iron and steel complex	26.75	130.09	13.89 pc
Wuhan iron and steel complex	45.47	217.15	7.31 pc
Panzhuhua iron and steel complex	20.69	100.10	1.52 pc
Benxi iron and steel complex	15.28	97.88	-11.57 pc
Maanshan iron and steel company	17.76	86.69	0.78 pc
Taiyuan iron and steel company	18.37	84.69	8.80 pc

SMALL-SCALE ENTERPRISES

Large-Scale Township Enterprises Number Over 500

93CE0517B Beijing ZHONGGUO XINXI BAO
in Chinese 14 Apr 93 p 1

[Text] The day before yesterday the State Statistical Bureau announced for the first time "the top 500 of China's large-scale township enterprises." The Zhujiang Refrigerator Company of Guangdong won first prize.

Township enterprises are assuming a more and more significant role in our historical stage of economic development. The State Statistical Bureau's Agricultural Investigation Administration has implemented continuous tracking, investigating and research on this specific project for several years, and identified the largest scale enterprise groups, which fully revealed their status in the national and township economic development.

Thus, according to the relevant data concerning 6,133 township enterprises with a profit over 10 million yuan issued by each province and national municipalities (except Tibet and Hainan) in 1991, the Agricultural Investigation Administration ranked them by their current year's sales revenue. Based on this hierarchy, it can be seen that the 500 township enterprises are spread all over the place in economic developed areas along the east coast, and in the central western region enterprises are quickly catching up. Most of the 500 enterprises are located in Jiangsu, Guangdong, Shandong, Zhejiang,

Shanghai, Tianjin, Liaoning, etc. In Jiangsu there are 183 large-scale enterprises comprising one-third of the 500. The good news is that there are about 20 enterprises located in the nation's poor areas such as Shanxi, Sichuan, Shaanxi, Guangxi, and Xinjiang where the economy is poorly developed. The total number of employees in these 500 enterprises is 463,000, which comprises 0.5 percent of the nation's township enterprise population, and the output value, income and profits are 3.1 percent, 2.9 percent and 2.4 percent of the relevant national township enterprises' targets respectively. The output value, income and profit per person are higher than the national average of 5, 4 and 6 times respectively. The Wafangdian Qianhe Diamond company in Liaoning has a per capita output value of 23.667 million yuan which is the highest of the 500.

All the 500 enterprises have the characteristics of the clearly defined technical, financial, labor and resource intensive industries and highly developed industrial structures. Among the 500 technology and resource intensive enterprises, some are in the "sunrise" industries of high tech electronics, daily necessities and electric appliances. Some are in the traditional industrial based "sunset" industries such as mechanics, and steel rolling. Among the labor intensive industries, some enterprises have upgraded their products, some through their hard working efforts and efficient management became labor intensive input and high value output oriented. In Guangdong Shunde Xingshi Food Development Limited Corporation and some other enterprises have joined the large scale enterprises' category through the further processing of agricultural resources.

In terms of management methods, many enterprises have begun to cooperate horizontally, or internally and externally, and to participate in stock holding systems. According to the initial analysis of the 500 enterprises, there are about 36 enterprises that are stock holding companies. The ranking also reflects the "three giants" of our township enterprises, of which Zhujiang Refrigerator company in Guangdong won the "campaign" of the "top 500" by its realization of 712.25 million yuan in sales profits. The second prize and the third prize were won by Guangdong Shunde Electric Pot company and Guangdong Xianhua Electric Fan company.

Private Economy Turns to Mixed Economy

93CE0517A Beijing JINGJI RIBAO in Chinese
15 Apr 93 p 5

[Text] "Some people say that you are a private entrepreneur."

"I am not a private entrepreneur. For the business assets I own, my personal assets are only 10 percent. The others are either state-owned or collectively owned assets." This dialogue occurred at the National People's Congress between this reporter and Zhao Zhanguang, the inventor of "101" who is called by mainland and overseas Chinese a "red entrepreneur."

A similar situation also happened at the same time at the People's Political Consultative Conference. Han Wei, chairman of the board of Dalian Huanwei Enterprise Group is also deemed to be a rich person with the wealthy assets of 10 enterprises under his name. However, when people call him a "private entrepreneur," he expresses his disagreement considering it incorrect. The reason is that of all the enterprises he owns, some of the shares are state-owned, and some are owned by collective enterprises. His private shares at present comprise the largest proportion of the total assets, but it is only 70 percent.

Thus, how would we call this a kind of "blood relationship" with impure business ownership? Han Wei, aged 33, thinks that it should be called "mixed economy."

Even though after Han Wei proposed his idea he expressively stated that he does not care about "the address problem," it can be seen from the observations of the so-called "private entrepreneur" representatives presented at "the two conferences" and the entrepreneur "components" that "mixed economy" could be a better word for their present business ownership than "private entrepreneur."

Committee member Li Anmin is chairman of the board at the Shanxi Antai International Enterprise Group Corporation. The parent company owns 17 enterprises with total assets of 120 million yuan. But he said that besides the collective companies and foreign owned shares, his personal shares comprise only 70 percent of the total shares.

Political Consultative Conference member Li Yonghao, who is president of Sichuan Hope Group that owns 11 enterprises with total assets of 130 million yuan, said that to expand the company's production scale, he is going to cooperate not only with foreign businesses, but also with state-owned enterprises in the area of feeding, breeding and livestock in-depth processing. He stated that three to five of the enterprises that will soon become the company's cooperative partners are state-owned enterprises.

When deputy to the National People's Congress Liang Jincheng, Chairman of the Hengshan Industry Limited Corporation at Sihui County, Guangdong Province, talked about his own business development, he said that facing the situation of fast changing management systems at state-owned enterprises, private enterprises should change from being "a small boat that can easily change direction to a big boat that can withstand large waves" to maintain a competitive edge. The method to achieve this situation is to implement stock exchange systems that include not only private shares but also cooperate with state-owned and collective enterprises. The state-owned and collective enterprises may be able to use unused factory buildings and equipment as the capital inputs for the private enterprises. In this way, the private companies would be able to expand production,

and the state-owned and collective enterprises would be able to increase their assets without affecting the ownership structure.

The "two conferences" have always been seen as the window and barometer for viewing China's practical political and economic development. From changes in the kinds of people representing the participating private enterprises, and the enterprises' future development plans, it can be seen that the change from private ownership to a mixed economy is becoming a new trend.

The appearance of development trend proves that as the rate of economic development becomes faster, and after private enterprises have achieved an amount of "tangible accumulation" (assets accumulation) and "intangible accumulation" (the accumulation of management, production techniques, and operation methods), these private enterprises will have the motivation to pursue ways to fully display their skills. However, from the experiences of developed countries and area economic developments, this trend is actually an inevitable period for one country or area's economic development from that of a single operation and primitive accumulation to that of a scaled operation and fast paced development. For example, in the early period of development, the American oil baron Rockefeller and Hong Kong businessman Li Jiacheng, the "blood relationship" ownership of their enterprises' assets were almost purely privately owned. As market competition intensified, and their enterprises' production operations scale expanded, they simultaneously attracted external investments, and the original enterprises' pure "blood relationships" also began to become a complex mixture.

Thus, some specialists think that if the development of an individual economy into a private economy requires breaking-up long existing social assets based on equality, then the development of a private economy into a mixed economy requires the efficient allocation of all different production factors such as the social labor, capital, technology, sources, and becomes the social development's new engine during the economic development period from a lower level to a higher level.

Therefore, specialists believe that from the change from a private economy to a mixed economy, we can identify two guidelines: First, as long as it will benefit the improvement of people's living standards, improve the nation's overall strength and develop the social production force, and as long as enterprises are operated legally, there is no need for us to care what kind of ownership these enterprises have. Thus, this idea will lessen our psychological pressure when we make important decisions concerning individual and private economic development, and also eliminate our worries and concerns for the social income gap resulting from the fast development of the individual and private economy. Second, while we change state-owned enterprises into market-oriented enterprises, to increase the changes in enterprises operating systems without using portions of state owned assets, we should use the unused factory building

and equipment to arrange a "marriage" with some well developed private enterprises through stock exchange methods. This method will not only benefit ways to increase changes in state enterprises' operating systems, but also can realize state owned asset increases under the condition of clearly defined asset ownership.

ECONOMIC ZONES

Shenzhen's Shipping Industry Evaluated

93CE0531A Shenzhen SHENZHEN TEQU BAO
in Chinese 30 Apr 93 p 2

[Article by Deng Jinliang (6772 6930 5328): "Shenzhen Calls for Big Development in the Shipping Industry"]

[Text] There is no prosperous coastal city in the world where the shipping industry is backward; nor is there a coastal city where shipping is backward, but the economy flourishes.

The Shenzhen Special Economic Zone is a seaport city with 260 km of coastline, and its economic development cannot but follow this rule.

With this in mind, the Shenzhen municipal government commissioned experts, and professors from the Dalian Merchant Marine Academy, to map out a strategy for developing Shenzhen's shipping industry in the year 2000, and at the same time, invited experts from all over China, to make a hard-nosed, and detailed evaluation of the plan.

Shenzhen Is Exceptionally Well Positioned To Develop a Shipping Industry

During the evaluation meeting, the experts all took a positive view of the advantages that Shenzhen enjoys in developing a shipping industry.

—In terms of its geographic location, Shenzhen is a coastal Special Economic Zone with 260 km of coastline. On its eastern side, it has a good deep water port, and on its west side there is a port at the mouth of a river, that connects shipping between the river and the sea, and is suitable for through passage, or berthing, for all kinds of vessels.

—In terms of its economic situation, Shenzhen is a typical coastal city, with a mainly export-oriented economy, where trading increases daily. Economic construction in China is proceeding at a quickening pace, and the economy in the Asian and Pacific region is vigorous. This is where Shenzhen has advantages on which it can rely to develop its shipping industry.

—In terms of the external environment, Hong Kong is an international center for many activities. It radiates a positive influence on Shenzhen's effort to develop its shipping, in the areas of funding, technology, transport, management, marketing, information, human resources, etc.

—In terms of infrastructure, Shenzhen has already built more than 80 berths, including 14 deep-water berths in the 10,000 ton class, the largest with a berthing capacity of 50,000 tons. In 1992, Shenzhen made ready more than 1,900 tons of freight handling capacity, creating a harbor complex for the Special Economic Zone, that is geographically spread out, and has real potential. This furnishes the zone with a good foundation for the development of a shipping industry.

—In terms of the breadth and depth of opening up, Shenzhen is the only port city in China, where "highways, harbors, railroads, and air transport" are all fully opened up to the outside world. These factors provide Shenzhen with extremely favorable conditions for shipping development.

Shipping Development Faces Three Large Obstacles

Many experts at the evaluation meeting believed that, while Shenzhen is exceptionally well-positioned to develop its shipping, it also faces three basic obstacles: funding, human resources, and marketing.

The present state of Shenzhen's fleet is as follows: the vessels are small in tonnage, and old. To a certain degree, this detracts from the economic efficiency, and competitiveness of enterprises. If this situation, where the composition of the fleet is not entirely as it should be, and vessels are obsolete, is to be changed, then doubtless it will be necessary to increase investment in shipping. But for the past 10 years, Shenzhen's shipping enterprises have basically relied for investment on their own limited funds, and on loans taken out at high interest. They have not been given priority in funding. At present, Shenzhen is beginning to be a large scale harbor, there is already a certain amount of infrastructure in place to support the development of its shipping, and investment in the harbor has already exceeded 1 billion yuan. But investment in shipping is less than 400 million yuan, and Shenzhen has only invested about 100 million yuan. In China, a reasonable ratio of investment in harbor facilities, to investment in shipping, should be about 50 to 50, but in Shenzhen, right now, the ratio is about 72 to 28. Very plainly, investment in Shenzhen's shipping industry is insufficient. Funding difficulties are the basic reason why it is hard to get a fleet started, technology is backward, and competitiveness is poor.

In addition, the shipping industry is seriously deficient in human resources, both in quantity and quality. First, it lacks a sufficiently large corps of high-quality sailors. At present, Shenzhen mainly relies on contracting for labor from inland shipping enterprises. The quality of the crew cannot be assured, and their cost is high, which increases operating expenses for enterprises. The shortage of officers is even more serious. Some shipping enterprises do not have a single officer, and officers with class A certificates are even harder to find. Second, there is lacking a stable corps of experienced managers. At some domestic joint ventures, there is constant turnover

among managers, especially upper-level managers, and short-sighted behavior by enterprises is extremely common.

Third, Shenzhen's market for shipping services is not yet fully in order. Many related organizations still have not been organized, and accompanying facilities have not yet been built. Therefore, as of yet no market has formed, and it is pointless to talk about developing a shipping industry.

Measures and Policies To Develop Shenzhen's Shipping Industry

According to Shenzhen's strategic plan for shipping, Shenzhen's shipping industry will ascend to a new level by the 21st century, and Shenzhen will become the shipping center of south China.

At the evaluation meeting, the experts expressed various opinions about this goal, and offered many constructive recommendation and views. In the area of fleet development, from here on out, the first thing will be to focus on acquiring large vessels, and achieving economies of scale. Second, is to improve the technical performance of vessels, encouraging enterprises to build new ships, or to buy second-hand ships that are no more than 10 years old. Third, is to pay attention to optimizing the overall composition of the fleet, as to different types of ships, so as to improve the competitiveness of the Shenzhen fleet in the shipping marketplace. At present, the focus should be on acquiring large bulk carriers, large oil tankers, and container ships.

Experts believe that it is necessary to adopt policies that give active support to the shipping industry in the area of funding, such as: encouraging enterprises to implement the stock system, and form partnerships to build fleets; providing special-purpose loans for building types of ships that are designated for priority development; lowering interest rates on loans, issuing low-interest, interest-free, and discount loans, etc. The experts also believe, that it is necessary to make use of the advantages of proximity to Hong Kong, to vigorously develop an information system on the shipping market, and to set up offices overseas, so as to improve the management and use of information on the shipping market, and also market research and forecasting work. While we are seeking out opportunities for shipping enterprises in the shipping market, we must also establish, and put in order service facilities and organizations, that serve vessels and shipping, and promote the emergence and formation of a market for shipping.

From now on, we must work to establish a base for developing human resources for Shenzhen's shipping industry. We must make use of the strengths of the Special Economic Zone, to transform today's demand for shipping workers, into tomorrow's output of shipping personnel. Under certain circumstances, by establishing a locale of employment for sailors, we can resolve the imbalance between supply and demand for sailors, through the market mechanism.

Shenzhen Sets Up Enterprise Ownership Exchange

93CE0535A Hong Kong CHING-CHI TAO-PAO
[ECONOMIC REPORTER] in Chinese No 16,
26 Apr 93 pp 24-26

[Article by reporter Sheng Qun: "Xu Jingan, Chairman of Shenzhen Commission for Restructuring Economic System Says Exchange of Enterprise Ownership Will Soon Begin in Shenzhen"]

[Text] A "Meeting To Exchange Information in Transferring Ownership of and Merging Enterprises" will be held at the Yinghu Recreation Center in Shenzhen on 18 and 19 May. At that time, the newly established Shenzhen Ownership Exchange will coordinate with the various departments for restructuring economic systems and organs for ownership exchange in various localities to provide information and a name list of those to have their ownership (or stock ownership) transferred. The meeting welcomes businessmen from Hong Kong, Macao and Taiwan and overseas merchants who intend to buy and own Chinese enterprises; and allows them to buy those enterprises which list themselves for sale at the Shenzhen Ownership Exchange. This signifies that China's state-owned enterprises are becoming market-oriented, coming out into the open and standardizing the process of transferring their ownership. This is a new step taken in restructuring the economic system. It means that the enterprises are gradually attaining the authority to handle their own properties while they are delegated with the power to manage their own affairs. It was for this reason that our reporter visited Mr. Xu Jingan, Chairman of the Commission for Restructuring Economic System in Shenzhen, asking him to express his views on the issue of transferring the ownership of state-owned enterprises and on the forthcoming meeting.

Motive and Reason for Ownership Transfer

Xu Jingan dwelt on the necessity for the transfer of enterprise ownership first. He pointed out: In the traditional system of planned economy, a state-owned enterprise will exist for a long time, once it is established. Due to the lack of a mechanism to readjust inventory and assets, good enterprises are unable to obtain an abundant supply of the resources that they need to develop themselves speedily, while those enterprises with deficits that let their production facilities lie idle for a long time are unable to transfer their assets. This creates a situation in which one side urgently needs to expand its production, while the other side is wasting its available resources. As a result, state-owned enterprises become "little old trees." They never grow up. After decades of development, many enterprises have not added much assets. Enterprises with deficits are dying, but they are not dead. They remain immortal. Some leaders have also formed a concept. That is: It is a glory to establish new enterprises, while one in charge of enterprises loses face when the number of enterprises dwindles. A district with many enterprises reflects outstanding political achievements,

while nobody cares about the economic performance of these enterprises. As a result, various local departments or enterprise groups very seldom take the initiative to shut down any enterprise under their administration, unless they are ordered by organs at the higher level to do so. Sometimes, the closure of a very small enterprise may create a tremendous social impact.

Our reporter asked: What are the other ill effects caused by inability to readjust inventory and assets?

Xu Jingan pointed out: Enterprises with deficits are dying, but they are not dead. They cannot be transferred. Nor can they be closed. It is difficult to readjust their inventory and assets. As a result, the assets that people work so hard to acquire are lying idle in enterprises with deficits. Such assets have not been put to good use. On the contrary, they lose their value because time slips by and technology advances at all times. Assets lying idle and the loss of the value of products are tremendous wastes.

Inability to readjust inventory and assets has greatly weakened the state's strength in readjusting its industrial structure, as this strength mainly comes from incremental investments. This will ossify the industrial structure and make it hard to keep pace with the constantly changing industrial situation in the world. For this, China has missed several good opportunities to develop itself.

Practice of "Dragging Men Into Marriage" Wears Down Good Enterprises

Xu Jingan pointed out: Due to the lack of a good countermeasure to solve the problem of enterprises with deficits, the only possible measure which may be adopted by the responsible department is to spur on a flying horse, and take from the fat to feed the undernourished. It pressures good enterprises to fulfill the production tasks and pay taxes for those enterprises with deficits, while giving preferential treatments to the latter so that they can still survive. The result is: Good enterprises' "blood" has gradually been depleted, and they soon dry out. On the other hand, those with deficits are growing up, forming a situation in which "trying to hang on to life is better than a comfortable death."

Since reform and opening up to the outside world, "enterprise amalgamation" has become a way out for solving the problem of enterprises with deficits. However, very often a principle for such amalgamation is that enterprises with good economic performance are forced to emerge with enterprises with poor economic performance, and that large enterprises are required to help small enterprises. Despite of the fact that some enterprises have recouped their losses after merging, a common situation is that when two or more enterprises are knocked together and merged, there is no mechanism for making changes. Nor do enterprise leaders know how to help enterprises with deficits to carry out their activities. Enterprises with good performances often clash with those with poor performances. The goal of letting

those with good performances help those with poor performances is not achieved. On the contrary, the economic performance of good enterprises deteriorates because of their additional burden. Some of them have become new enterprises operating in the red.

A New Concept—Sell Out Enterprises With Deficits

Can we solve the problem of enterprises with deficits by selling them instead of allowing the responsible department to make simple but arbitrary arrangements to knock enterprises together?

Chairman Xu said: At the beginning when this proposal was made, some leaders were not convinced. Nor were the managers of large enterprises. Many people believe that other enterprises are trying to develop themselves, while we have to sell enterprises. We would lose face. Therefore, when the staff members of the Commission for Restructuring Economic System asked if there are any enterprises with deficits for sale. All of them got a "no" for an answer. However, the leadership in Shenzhen has already made a decision to do something. In 1989, the city government worked out relative regulations on the transfer of ownership of state-owned enterprises, and set up an office in the Commission for Restructuring Economic System to handle the transfer of ownership for state-owned enterprises. At the time when no one was willing to buy such enterprises, the Commission for Restructuring Economic System forced some enterprises with deficits to sell themselves. A total of four enterprises with deficits under the administration of a group company engaged in decoration business were forced to sell themselves in order to pay their debts.

In fact, selling and buying enterprises is a common practice in business management. Conglomerates abroad often adopt this method to readjust their orientation for development and correct their errors in making their management policy decisions. Buying existing enterprises is also a method often adopted by multinational corporations to increase their investments. They very seldom act like the traditional enterprises in China which mainly rely on building new enterprises to expand themselves.

Moreover, selling enterprises with deficits is much better than letting them declare bankruptcy. On the one hand, selling enterprises with deficits will not create excessive psychological shocks to the staff members and workers, because some of them are often transferred along with the enterprises. It will be easier to make arrangements for the remaining staff members and workers. On the other hand, selling enterprises with deficits will help clear chain debts. If we allow enterprises to declare bankruptcy, the responsible department will handle the debts. It will not be able to clear the debts. When the ownership of enterprises is transferred, a part of the funds can be used to pay debts. If the buyer is willing to take over the debts, he is able to run an enterprise without paying hard cash.

Buying and selling enterprises with deficit has created good results. Units that have sold enterprises with deficits get rid of their burdens and are able to march with light packs. Often, they can perform much better. Units that have bought enterprises with deficits on the basis of their actual needs, are able to acquire the space to develop themselves. They often turn the reformed enterprises with deficits into profitable ones. Leaders of enterprises with deficits that are sold are often removed from their local leading posts and become ordinary workers. This greatly shocks the leadership of those enterprises that are making marginal profits. It forces them to carefully manage the enterprises under their administration. This practice has set a good example. The leadership and the managers of various enterprises have gradually accepted this concept, and begun to follow this path to improve their enterprises. The leadership of the city government has also enhanced its power in carrying out this practice. If enterprises do not wipe out their deficits, they themselves will be wiped out. Thus, selling enterprises with deficits has become a common practice. The Laiyinda Group in Shenzhen sold an enterprise in 1992. Since this enterprise had an import and export license, the group got 20 million yuan from the license alone. A well-known group, the Shenzhen Foreign Trade Enterprise Group sold out 15 enterprises with deficits. Shanghai's Baoshan Iron and Steel Company and Jiangsu's Yizheng Joint Corporation of Chemical Fiber Industry have done quite well in buying enterprises. All the enterprises they bought have turned their losses into profits in the same year. Their investments have achieved remarkable success within a short period of time. Now, the practice of buying existing enterprises, particularly those with deficits to increase investments has been accepted by China's enterprises, and is rapidly gaining momentum. Between 1989 and the end of 1992, 66 enterprises in Shenzhen had transferred their overall ownership with total assets worth 260 million yuan.

Ownership Exchange—A New Creation

As of now, enterprises still rely on the Office for Transfer of Enterprise Ownership to act as go-between to handle their transfer. However, this office is already unable to meet the requirements in this connection due to the development of the reform program and market economy and the rapidly increasing number of enterprises that need to buy or sell. Thus, the city Commission for Restructuring Economic System and the city Investment Management Company took the lead in opening the Shenzhen Ownership Exchange, an undertaking specialized in ownership transfer with a legal person status. An ownership exchange is something new in China and in the world. In developed capitalist nations, enterprises are mainly privately owned. The transfer of ownership is usually handled by banks or financial companies. In China, the setup of the ownership exchange is an experiment. It provides a centralized location for transferring ownership. This greatly helps making the transfer of ownership an open process, handling all cases fairly and

increasing work efficiency. Meanwhile, it will also greatly help enterprises to transfer their ownership. Hearing about the opening of the ownership exchange in Shenzhen, many responsible persons of commissions for restructuring economic system in various inland cities and provinces take the initiative to get in touch with the exchange and try to put their local enterprises with deficits for sale. The Shenzhen city government has already issued a directive. It stipulates in principle that all enterprises that wish to buy or sell must put details on the bulletin board in the ownership exchange and all transactions be made there. Recently an enterprise in Yunnan with assets of 30 million yuan is prepared to offer itself for sale at the exchange. Another Sino-Foreign joint venture with assets totaling \$90 million also plans to offer itself for sale. However, right now, there are more enterprises in the exchange that want to buy other enterprises than those who offer themselves for sale.

Strategic Measures in Restructuring Economic System

Right now, the main efforts in ownership transfer are focused on enterprises with deficits. Actually the scope of ownership transfer is unrestricted. As far as the Chinese government is concerned, more than 4 million state-owned enterprises are simply too many. These enterprises may have assets worth as high as several billion yuan or even more as little as 100,000 yuan or even less, making the limited manpower and material and financial resources of the government excessively decentralized. The government shows concerns over every issue, but it often neglects the most crucial ones. Right now, China is in serious shortage of transportation and communications facilities and energy, particularly electric power. This has become the largest bottleneck in national economic development. However, the government cannot provide enough funds to solve problems. It is better to sell out one-third or even half of the state-owned enterprises (mainly those that will not affect national economy and are suited for individual and foreign investments). By selling out these enterprises, funds ranging from 700 billion yuan to 1,000 billion yuan can be raised to help the remaining enterprises which need money to develop themselves. In this way, this practice will help change the enterprise management mechanism. However, it will not affect the dominant role of state-owned enterprises in the development of the national economy. (Because assets will become hard cash, and money lying idle will become useful capital. The amount of money is the same. It may even increase its value.) Meanwhile, China's investment environment may also be improved in a real sense, and things will become easier for the government.

When our reporter asked if Shenzhen would take any action in this connection, Chairman Xu said that in this regard, Shenzhen would continue to carry out experiments. Proceeding from enterprises with deficits, it would expand the program to cover state-owned enterprises with small profits, particularly small enterprises in

the service industry. It will gradually restrict large state-owned enterprises in running small enterprises. Later, it may possibly sell some large enterprises.

Business Persons From Hong Kong, Macao and Taiwan, Foreign Merchants Are Welcome To Buy Enterprises at Shenzhen Ownership Exchange

Is there any limit for business persons from Hong Kong, Macao and Taiwan and overseas merchants to buy enterprises listed on the Shenzhen Ownership Exchange for sale?

Chairman Xu replied: In general, there are no limits as far as industrial enterprises (except enterprises in certain trades or industries) are concerned, because since the government permits foreign business persons to make investments and establish new factories, it naturally encourages them to buy old enterprises. As for commercial establishments, we may also carry out specific negotiations, because China has gradually opened up domestic retail businesses to the outside world. If foreign business persons wish to buy commercial establishments in China, we may also take their wishes into due consideration. As for fairly large enterprises, we may also negotiate on specific cases. If they are not allowed to buy an entire large enterprise, we may allow them to buy a part of the enterprise. We welcome business persons from Hong Kong, Macao and Taiwan and foreign merchants to buy enterprises listed in the Shenzhen Ownership Exchange for sale and participate in the meeting to exchange information on ownership transfer to be held in Shenzhen on 18 May. Meanwhile, the Shenzhen Ownership Exchange is working hard to maintain ties with the departments concerned at home and abroad, trying to set up an information network for ownership transfer and hoping to become a national center for this purpose. Thus, we warmly welcome Hong Kong, Macao, Taiwan and overseas enterprises to register themselves to do business in Shenzhen.

In conclusion, Xu Jingan pointed out: Right now, people are buying stocks and foreign currencies and deal in real estate and in futures as speculation. From now on, the real big speculators may buy enterprises as a form of speculation. To buy an enterprise with deficits which is of high quality and has great potential, turn it into a profit-making one after reorganization and "re-packaging", and then sell it, the return of this kind of business will probably be higher and the risks involved will be far less than that in carrying out the aforementioned speculative activities. U.S. investment genius Hualun Bafeite [Warren Barfield] is precisely an expert in buying and selling enterprises. He amassed a fortune by doing this kind of business. It is hoped that more large investors of this type will emerge in Shenzhen.

AGRICULTURE

Report on Rural Investment

93CE0603B Beijing ZHONGGUO TONGJI XINXI
BAO in Chinese 28 Apr 93 p 3

[Article: "Peasant Household Production Inputs Increase in China, Returns From Investment in Primary Industry Poor"]

[Text] A State Statistical Bureau random survey of 67,000 peasant households in 30 provinces, autonomous regions, and directly administered municipalities nationwide shows that the production and operation situation in the country's rural villages continues good, peasant investment in production increasing and returns rising.

Agricultural Production Inputs Increase

1. Peasant household investment in production has increased. In 1992, peasant investment in production was 321 yuan per household, up 27.20 from the previous year for a 9.3 percent increase. After deducting for price rises, peasant household investment in production increased 5.4 percent. Since 1991, peasant households have spent more on production than on living expenses. In 1992, peasant investment in production increased 3.8 percentage points faster than the increase in consumption.

2. Peasant household investment of working capital increased faster than investment in fixed assets. In 1992, family operating expenses averaged 292 yuan per household, up 25 yuan from the previous year in a 9.4 percent increase. Outlays for the purchase of fixed assets of a productive nature were 28.80 yuan per capita, up 2.20 yuan from the previous year in an 8.2 percent increase. Speed of growth of peasant household investment in working capital was 1.2 percentage points that of the speed of growth of investment in fixed assets.

3. Investment in secondary and tertiary industries increased more rapidly than investment in the primary industry. In 1992, operating expenses resulting from inputs into the primary industry averaged 270 yuan per household, up 22.80 yuan from the previous year in a 9.2 percent rise. Operating expenses resulting from inputs in secondary and tertiary industries came to 22.70 yuan per peasant household, up 2.20 yuan from 1991 in a 10.7 percent rise. Thanks to the all-around increase in peasant household inputs, secondary and tertiary industries are booming.

Rise in Overall Returns From Investment; Widening of Gap Between Industries

1. Upturn in returns from peasant household investment. Following the steady expansion of the sale of peasant household investment was a marked change in returns from investment. In 1992, every 100 yuan of peasant household investment produced a net income of

219.10 yuan from production, 1.80 yuan more than in 1991 for a turn around of the 1991 situation in which returns from peasant household investment declined. This will have an important effect in stimulating peasant household interest in investing in production.

2. Widening of difference in returns from investment in different industries. In 1992, for every 100 yuan invested in the primary industry, peasant households gained a net benefit of 180.60 yuan, six yuan less than in 1991 for a 3.2 percent decrease. For every 100 yuan invested in secondary and tertiary industries, they gained 691.90 yuan, 67 yuan more than in 1991 in a 10.7 percent increase. This was a 13.9 percentage point difference between the two. This widening of the gap in returns from investment in the primary industry versus secondary and tertiary industries promotes the flow of peasant household funds into high return secondary and tertiary industries, which advances development of the rural economy and increase in peasant income. The worrisome thing is that returns from investment in the primary industry continued to decline during 1992 after having already declined 9.5 percent in 1991. If this continues, reserve strength for the development of agriculture is bound to be weakened.

Inter-Region Investment Gap Continues Fairly Large

Peasant household investment is closely related to economic development and income level. A region-by-region examination shows a peasant household investment in production of 375.60 yuan in the most developed eastern region of the country, 294.40 yuan in the central region, and 282.20 yuan in the western region. The gap between one region and another remains fairly large. On a scale of 100, the investment ratio for the eastern, central, and western regions is 100:78:75. In terms of development trends, the gap continues to widen between the eastern region and the central and western regions, and the gap between the central and western regions continues to narrow. In 1992, peasant household investment in production increased 10.8 percent in the eastern region, 7.3 percent in the central region, and 9.1 percent in the western region. On a scale of 100, the ratio between the rate of investment increase in the eastern, central, and western regions was 100:68:84.

Region by region, the regions where investment per peasant household investment exceeded 20 percent were four: Beijing at 35.1 percent, Hainan at 24 percent, Yunnan at 20.9 percent, and Guangdong at 20.1 percent. Regions where the increase in investment per peasant household increased between 10 and 20 percent numbered 10 including Hunan, Jiangxi, Xinjiang, Shandong, Zhejiang, Liaoning, Anhui, Jiangsu, Shaanxi, and Guangxi. Regions where per peasant household investment in production decreased numbered six, including Jilin for a 4.4 percent, Shanghai for a 4.2 percent reduction, and Gansu for a 3.4 percent reduction.

Hidden Losses in Farming Growing Problem

93CE0524A Nanchang JIAGE YUEKAN [PRICING MONTHLY] in Chinese No 4, 15 Apr 93 pp 21-22

[Article by Zhang Sisheng (1728 1835 0524): "Report From Xuzhou City on Farm Product Cost Survey"]

[Text] Despite the consecutive year bumper harvests in agriculture, economic returns from agriculture have steadily declined. In particular, hidden losses from farming and a decline in earnings have become serious hidden dangers in the development of agriculture.

1. Wide-ranging Large Hidden Losses

By hidden losses is meant losses or reduced profits that have not yet shown up on the ledgers of agricultural production and operating units. A hidden loss problem likewise exists in peasant farming. This shows up when after deducting the production costs, the taxes to be paid, and expenditures for other than costs for peasant production of a farm product, the actual amount of return turns out to be a negative figure, meaning a fall in returns from farming. Survey data on farm product costs in Xuzhou City, Jiangsu Province show that most peasants engaged in farming there face hidden losses. (See table below).

Cost-Benefit Situation Per Mu of Principal Farm Products in Suzhou City in 1992

Crop	Gross Output Value	Costs Inclusive of Taxes	Net After Tax Income	Expenses Other Than Costs	Actual Income
Wheat	221.00	159.94	61.06	35.31	25.75
Long-grained rice	236.66	216.44	20.22	47.69	-27.47
Corn	190.16	156.41	33.75	44.69	-10.94
Soybeans	168.68	114.54	54.14	59.27	-5.13
Rapeseed	134.69	191.33	-56.64	29.50	-86.14
Cotton	272.27	269.94	2.34	46.13	-44.79
Silkworm Cocoons	829.54	841.83	-12.29	75.18	-87.47

The foregoing table shows hidden peasant losses from farming are wide-ranging and of many kinds as well. Except for an insignificant profit of 25.75 yuan per mu of wheat, every other crop shows a hidden loss, including 27.47 yuan per mu for long-grained rice, 10.94 yuan for corn, 5.13 yuan for soybeans, 86.14 yuan for rapeseed, 44.79 yuan for cotton, and 87.47 yuan for silkworm cocoons. The peasants say: "Every one of the 36 different trades makes money except for farming."

2. Hidden Losses From Complex Costs

Numerous reasons account for the hidden losses. A probe of the reasons shows government neglect of agriculture, a mistaken policy orientation, a defective market system, and flabby macroeconomic regulation and control to be reasons. Specifically, the following are the main factors involved:

1. Price Factors: Since the end of 1990, prices of main farm products such as grain have consistently shown a trend toward wave-like decline. The market price of long-grain rice in Xuzhou City each December from 1990 through 1992 was 0.52, 0.44, and 0.40 yuan per 500 grams in a 23.08 percent decline over the three year period. In 1992, the actual cotton procurement price was 269.42 yuan versus 374.95 yuan in 1990 for a 28.15 percent decline. Despite the substantial increase in the fixed procurement price of grain in 1992, the market price was far lower than the procurement price. Since the state did not open up procurement, most peasants sold their grain at a market price that was lower than the state-fixed procurement price, 500 grams of paddy

fetching only slightly more than 0.20 yuan, which was not as much as the price of a single cigarette. Thus, not only did the peasants' income not increase in consequence of the state increase in grain prices but rather it fell. Some old peasants said, "I have farmed till my hair is gray, but never in my life have I seen grain prices so low. The yield is more than 1,000 jin per mu, but together with the paddy straw that brings only 200 yuan. After working hard all year, how much does a body earn? After paying the costs, nothing is left for a wage." This shows, that because of the great decline in prices of farm products such as grain, farming is an economic activity from which no profit can be made.

2. Cost Factors. The speed of increase and the size of farming costs are extraordinary. During the eight year period from 1985 through 1992, the weighted average cost per mu of grain crops (wheat, paddy, corn, soybeans, and dried potatoes) in Xuzhou City rose to 166.93 yuan in an annual 14.75 percent average increase. The cost of growing a mu of cotton went up to 269.94 yuan in a more than twofold increase. The rise in costs was pronounced in two regards: First, the swift rise in prices of the agricultural means of production, and the increase in the ratio of means of agricultural production sold at negotiated prices directly powered a steady rise in the cost of materials. Second, following a rise in the extent of social services provided in rural villages, the potential for an increase in farming costs was fairly great, and the peasants were unable to reduce their production expenses as a result of the simplification of their farming through the use of the available services. Some service organizations violated the purpose of providing services. Using the

pretext of "I give you service, and you give me payment," they did much much for a lot of money, did little for a little money, and did nothing for no money. Even worse, they used the opportunity to collect arbitrary fees, "service" thereby becoming extortion with a smile. The peasants said furiously, "It's extortion at every turn and a rip-off wherever you go" that brought a rise in production expenses in its wake. The excessive increase in farming costs at a time when farm product prices were falling made possible hidden peasant farming losses.

3. Selling Difficulty Factors. Peasant hidden losses from farming are very much related to the difficulty selling farm products. When the products of bumper harvests cannot be converted into cash, hidden losses may increase. First, when "ice cannot be melted to produce water," value is difficult to realize. Statistics from 15 peasant households at the farm cost survey point in Suining County show that after setting aside enough for the grain ration, at the end of 1992, 6,000 kilograms of wheat, 2,000 kilograms of paddy, and 800 kilograms of corn remained to be sold. This was 337 kilograms per person. For the county has a whole, nearly 400 million kilograms of grain was waiting to be sold, even though the rural grain commodity rate was only about 40 percent. The peasants said: "We think about a bumper harvest; we hope for a bumper harvest; but when a bumper harvest comes, we worry some more." This showed the real situation regarding the difficulty selling farm products. Second is the many "IOUs" and "account books showing assessments owing," which mean that even after selling their grain, the peasants get no money. In many places, there is a craze for development zones, a real estate craze, and a craze for building high rise buildings, meeting halls, and public accommodations, which soaks up or causes a diversion of large amounts of money intended for agriculture. As a result, IOUs are issued for the procurement of farm products, and the peasants receive no cash. Furthermore, in some places, local government account books showing assessments owing have replaced the "issuance of IOUs." After selling their grain, even before the money reaches the peasants' hands it is taken away by townships and towns for various assessments owing, and where it goes is a mystery. Some peasants say, "With IOUs, you receive no money; with account books showing assessments owing, you see no money. There is no use farming."

4. The Burdens Factor. In recent years, peasant burdens have become heavier and heavier, each year surpassing the previous one. One peasant wrote the following couplet: Paddy fields, dry land fields, responsibility fields: all mean sweat; this fee, that fee, all kinds of fees: where's the benefit? He expressed in a pithy way the problem of peasants' excessive burdens. First is the numerous burdens. In addition to the collective withholdings provided in contracts such as the "two funds and the one fee" (the public accumulation fund, the public welfare fund, and management fees), the various collections, fund raisings, and other fees are too numerous to count. Second is the amount of the burdens. In some places, the amount of

peasants burdens is greater than the 5 percent of per capita net earnings during the previous year that the State Council has set as the maximum. Take Xuzhou City, for example, where in addition to state taxes, the peasants per capita burden during 1991 and 1992 was 60.49 and 85.70 yuan, which was 9.3 and 12.35 percent respectively of peasant previous year per capita net income. The overly heavy peasant burdens make hidden losses from farming an inevitability. The statement "work like a slave all year and have nothing left to show for it after withholdings" is a vivid description of this kind of hidden loss. In Xuzhou during 1992, for example, the after-tax net income from grain and cotton farming was 41.52 and 2.34 yuan per mu respectively, but costs amounted to 43.95 and 41.13 yuan per mu for a hidden loss of 2.43 yuan and 38.79 yuan per mu.

3. Hidden Losses That Have Serious Consequences

By comparison with outright losses, the problems that hidden losses occasion are not apparent, but their damage should not be underestimated.

1. Hidden losses create false prosperity; they provide false information for decision making in the agricultural economy. First, they present a false impression about the well-being of the peasantry, which can give rise to the squeezing or gouging of the peasantry. Hidden losses in peasant farming create false increases in peasant income and the appearance of false prosperity. Some decision making organizations and leaders see only that the peasants have harvested this or that much grain without realizing that those who farm the land are mired in debt. Thus they overestimate the peasants' well-being, mindlessly supposing that a few more peasant assessments or withholdings make no difference and will not sap vitality. As a result "burdens are piled on level by level, and benefits are reduced level by level." Second, they create a false notion about the state of agricultural production that leads to errors in agricultural economy policies. The hidden farming losses resulting from difficulty selling farm products give many government sectors, as well as the public at large, the impression that there is an "oversupply" of farm products. Thus, consciously or unconsciously, they give up on leading and supporting agriculture. This generates a tendency toward "saying that agriculture is important but treating it with less importance; and that a meager harvest is a cause for concern about the peasants, but a bumper harvest is not."

2. Hidden losses dampen peasant interest in farming and weaken reserve strength for the development of agriculture. First, the peasants have no resources to invest. The peasants' hidden losses from farming mean that peasants are unable to make ends meet. Their purchasing power is weak; they are unable to make inputs into the land; and they find it difficult to expand reproduction. Some peasants say sadly, "A larger grain crop still does not provide enough money to buy chemical fertilizer in the coming year. All I can do is to sow seeds without fertilizing and depend on nature's bounty. Anything I

harvest will be something at least." Second, peasants do not want to invest in the land. Hidden farming losses make peasants feel that they will only be able to get enough to feed and clothe themselves from farming, that they cannot get rich from it. The idea is very strong that "people who have ability do not farm, no one ever gets rich from farming." Some peasants say that "you stand to lose more money from farming than from not farming." Passivity in production, haphazard work, and careless farming is pervasive, and some people have given up farming completely.

4. Ways To Solve Hidden Losses

1. Accelerated building of the farm product market system to enhance macroeconomic regulation and control ability. With the founding of China's socialist market economy system, the peasants' production activities will become oriented primarily toward the market. This will urgently require certain methods for regulating market fluctuations. The first such method is the fostering and perfection of a farm products marketing system, the emphasis being on the building of farm product wholesale markets. Wholesale markets for farm produce must be established in a planned way in major farm product producing areas, in traditional farm product concentration and distribution points, along major transportation arteries, and in large and medium size cities. Also required is a gradual shift from spot transactions to futures trading to bring about a balance between production and marketing and stabilization of supply and demand. Second is better macroeconomic regulation and control, and direction. The laws of market operation must be constantly kept in mind; market information must be used correctly; and proper guidance based on market demand must be given the peasants; readily salable farm products produced in accordance with the principle of "premium quality, high yields, and high returns," agricultural production thereby moving into the market economy.

2. Founding of a farm products risk protection system to stabilize increase in peasants' income. A farm products risk protection mechanism is urgently needed to guard against "low grain prices hurting peasants" so as to stabilize the increase in peasants' income. The first requirement is energetic improvement of agricultural infrastructure to improve ability to guard against and withstand disasters, thereby reducing production risks. Second is the founding of a risk fund system and the institution of price protection policies. The principle of a

basic profit based on production costs should be followed, and a protection price should be set for principal agricultural products such as grain and cotton, due consideration given to the peasants' burdens in setting it. This will help make up for the losses to producers caused by market fluctuations. Third is the establishment of a farm products reserve system. In bumper crop years, more products should be purchased. This would ease the difficulty selling pressure on the peasants, and the produce could also be used to stabilize the market in disaster years, bumper crop years balancing lean crop years. Fourth is perfection of the farm crop insurance system, particularly for grain and cotton to reduce the risk in the agricultural production process, thereby eliminating the peasants' nagging worries.

3. The various money collections and assessment in violation of laws and regulations must be halted for a genuine lightening of peasant burdens. The first requirement for solving the problem of peasant hidden losses from farming is to solve the problem of overly heavy peasant burdens. A limiting mechanism must be put in place from top to bottom, and a supervisory and control system perfected to enable steady peasant self-accumulation and self-development in a relaxed economic environment. The first requirement is strict control of the total number of burdens to be borne, a limit set. A truly realistic way to estimate peasant well-being must be put in place so that all undertakings will be based on reality and be based on capabilities instead of exceeding the peasants' capability to bear them. Better that the people should be wealthy than kill the goose to get the golden egg. Second is adherence to an examination and approval system regarding withholdings for genuine improvement of control over fee collections. All policies or regulations having a bearing on the peasants' burdens should be strictly controlled by rural work department, a system for examining and controlling withholdings adhered to, and priorities set rationally. Government price-setting units should diligently improve their control of fee collections, all fee collections that have not been approved by government price-setting units or for which no permit has been issued not allowed collection. In particular, rural fees for services such as machine plowing, drainage and irrigation must be well controlled. The number of rural services for payment must be strictly controlled. Fees for services that the peasants can scarcely bear because of their economic condition at the time should not be imposed. When conditions permit the collection of fees, the amount of the fees should be kept to a minimum.

Interview With Navy Command Academy Deputy Director

93CM0306A Beijing JIANCHUAN ZHISHI [NAVAL AND MERCHANT SHIPS] in Chinese No 2, 8 Feb 93 pp 2-3

[Article by Zhang Zenan (1728 3419 0589): "Secrets of Chinese Navy High Ranking Officer Training Revealed—An Interview With Chinese Navy Command Academy Deputy Director, Rear Admiral Xu Zhiti (1776 1013 2251)"]

[Text] Publication in the August 1993 issue of this magazine of an article in which Rear Admiral Li Dingwen [2621 7844 2429] talked about the supreme educational institution in the Chinese Navy evoked an intense response from the readership. Both this magazine and the director of the Chinese Navy Command Academy, Li Dingwen, received many letters from readers asking for more details about academy instruction and entrance examination. To satisfy readers' requests, we asked this magazine's special correspondent to interview Navy Command Academy Deputy Director, Rear Admiral Xu Zhiti. Here we relay to the readers the information that the Navy Command Academy recruits graduates holding an undergraduate degree from professional military officer colleges (who take an examination to become graduate students).

The writer interviewed the deputy director of the academy, Rear Admiral Xu Zhiti, on the campus of the Navy Command Academy in Zhongshanmen, Nanjing. Rear Admiral Xu, who is 58 years old this year, is the eldest son of the renowned Xu Maoyong [2776 2021 1661], of the League of Left-Wing Writers of the 1930s. At age three, he went to Yanan with his mother. In 1951, at only 16, Xu Zhiti joined the navy, and subsequently went to study at the High Ranking Professional Training School in Leningrad. After returning to China, he was posted to the East China Fifth Fleet. In the following year, he accompanied Comrade Liu Huaqing [0491 5478 3237] in a return to Leningrad for three and a half years of study at the Naval Academy. In August 1964, he became an instructor in the Chinese Navy Command Academy where he served successively as instructor, director of the teaching and research section, deputy director of the training department, and deputy director of the academy, and was certified a professor. Speaking volubly, this scholarly rear admiral briefed the correspondent on the training of navy commanders at the academy.

The Cradle of Navy Admirals - The Operations Command Class

In talking about the operations command class, the admiral said proudly that when the Navy Command Academy was first founded and first assumed responsibility for training operations commanders, this class was called the high level command class. The name was later changed. To date, the operations command class has run 15 classes, graduating a total of more than 300 students,

a substantial number of the officers going to top ranking leadership posts. One might say that the operations command class is a cradle for navy admirals. Currently, the Navy's training of command officers is divided into technical command officers, minor tactics command officers, combined tactics command officers, and operations command officers. Operations command officers are the highest ranking.

Admiral Xu said emphatically that to make instruction more practical, in recent years the academy has focused on reform of the operations command class' operations exercises on paper. One or multiple level command posts based on wartime conditions have been opened in the instruction area where cadets function as commanders and staff officers at various levels. Under direction of a command made up of cadets, they practice operational organization commands on paper based on the passage of time and battle progress. In recent years, a series of reforms have made to the exercises, plan direction changed to a combination of plan direction and random direction, drill preparations and implementation changed to alternating implementation, and joint exercises organized in which students of all graduating classes take part. In maneuvering techniques, in particular, the traditional operational maneuvers on paper and modern science and technology have been organically combined, full use made of simulators and other computers for the gradual building of modern data search, troop control, plan optimization, dynamic display, information relay, time display, and battle results evaluation systems, thereby enabling the drill environment to more closely approximate reality and permit the cadets taking part in the exercises to avoid a lot of tedious hand operations and concentrate their energies instead on studying the application of strategy and tactics. The "Naval Paper Operations Exercise Reforms" that the academy completed in 1989 were awarded a special prize as a national level outstanding instruction achievement. On 18 April 1992, the Navy Operations Simulation Training System was certified by experts. Thanks to the modern and scientific operations training techniques, the caliber and the ability of cadets in the operations command class have improved all around.

Elite of the Sea—The Combined Operations Command Class

When speaking about the combined operations command class, Admiral Xu was filled with unbounded expectations. He said that if one says that the operations command class mostly trains admirals who devise strategies, then the combined operations command class focuses on the training of daring admirals who win decisive victories at sea. These cadets are a hard core force that takes charge of one area and forms a link between the past and the future in the building of a peacetime navy. In wartime, they will be commanders of combined naval flotillas that bring naval warfare plans to fruition. Through study, these cadets should possess, within the intentions of higher authority, the quick reaction, independent decision making, and decisive

command abilities that are a feature of modern naval warfare and that are needed for naval forces combat. They should also possess a solid grounding and a complete concept of military theory. They should be able to organize and command combined naval forces for combat, and conduct tactical training. They should also be able to control units and to conduct study and research. In other words, they should have the "four skills" that are usually mentioned: the ability to lead troops, train troops, use troops, and do research.

To train qualified navy tactical commanders, the institute has set up main courses such as "Mao Zedong Military Thought," "Naval Tactics," "Naval Command," "Navy Military Control," "Navy Tactical Training Methods," and "Navy Division Political Work" as well as attendant brush-up and advanced courses. The academy devotes considerable attention to bringing out cadets' capabilities. It has set up an operations system made up training in four classrooms, 10 tactical problem problems, and a joint graduation exercise, using classroom training and work to improve the cadet's organizational ability and resourcefulness. The work regimen is characterized by proceeding from the basic to the advanced, from the simple to the complex, distinct levels, and proceeding step by step in an orderly way. The service arm tactical regimen consists mostly of exercises in ways of deploying troops; the command and training regimen consists mostly of exercises in combat command training procedures and methods; the combined tactical work consists mostly of exercises in the organization of command for combined operations at sea; and the joint graduation exercise consists mostly of drills in the comprehensive use of the information been obtained through study. Work problems are mostly set against a background of modern limited naval warfare, the mission of the navy in building overall national defense being the main topics. Work methods consist of both traditional work on paper and the use of computer-assisted work and simulated resistance exercises conducted in the naval warfare simulation training system.

Admiral Xu said that the institute has run 30 combined tactical command classes in the 40 years since its founding, training nearly 10,000 men. Today, every unit and staff organization in the Navy has academy graduates. It is truly a case of having graduates at sea everywhere.

The Pride of Naval Aviation—the Naval Aviation Command Class

Admiral Xu's topic of conversation turned from the sea to the air. He said that the training goal of the academy's naval aviation command class is to train commanders for naval aviation divisions and regiments, and headquarters officers for naval aviation divisions and above. Cadets graduating from that class should be able to organize command plans and command combined operations employing all types of aircraft. They should have the ability to organize and employ the air arm in conducting tactical training. They should have the ability to

organize and command the air arm and other service arms in combined combat operations; and they should have the ability to control units as well as the ability to update their knowledge through self-study and to conduct academic research. In this connection, the class has set up main courses such as "Naval Aviation Tactics," "Naval Aviation Headquarters Work," and "Naval Aviation Training Methods" for cadets. In addition, to improve the coordinated combat capabilities of cadets, it has set up courses in basic combat maneuvers of surface ships and submarines, and combined offensive combat at sea of all Navy service arms.

Admiral Xu said with some pleasure that airmen training methods today are becoming more sophisticated. The academy makes wide use of modern teaching methods such as television video films, television clips, and computer simulation and direction exercises to increase the amount of information and improve teaching quality. The video film series, "Naval Aviation Assault on Ships at Sea" won Naval Academy Second Prize and All Armed Forces Second Outstanding Television Teaching Material Prize in 1989. The video film "Evolution of Bomber Attack Formations" won the Naval Academy third prize in 1990. The academy has also newly researched and developed computer direction software in which two sides oppose each other titled, "Combined Attack Against Ships at Sea Using All Types of Aircraft," using computers to provide tactical direction instruction that approaches real warfare. By way of integrating instruction, the academy has set up an operations exercise system that includes nine paper exercises, 24 drills, and two computer exercises. Key topics and key components in course work are largely worked out both on paper and with computers. For routine topics, there are drills on operations and basic information. In their study, cadets, work out tactical problems first using single types of aircraft and then combine them; they first work out problems on paper then use computer direction; they first run group problems and later run single side resistance and then two side resistance exercises to improve the cadets' real warfare command capabilities.

To date, the academy has run 14 aviation command classes and eight aviation rotational training classes that have trained large numbers of aviation command personnel.

In looking ahead to the future, Admiral Xu said fervently that as the highest Chinese navy academic institution, we feel a deep sense of responsibility. We truly have a sense of "not being able to sleep soundly and our food having no taste" about which the ancients spoke. However, thanks to the joint efforts of instructors, cadets, staff, and workers throughout the academy, a firm foundation has been built during the 40 years of the academy's existence. We have the determination and the ability, under leadership of the new Military Affairs Commission, to carry forward an academy work style of "unity, battling forward, and realism" to train a larger number and more outstanding high ranking commanders for the Chinese navy.

Gulf War Lessons for Military Medical Services

93CM0315A Beijing RENMIN JUNYI [PEOPLE'S MILITARY SURGEON] in Chinese No 4, 28 Apr 93 pp 12-13

[Article by Li Peijin (2621 1014 6651), Institute No 1, Military Medicine Academy of Science: "The Insights That Gulf War Foreign Military Medical Logistics Provide"]

[Text] The medical logistical support work of the American, British, and Branch armed forces during the Gulf war provide several insights for China's military logistical support work.

1. Need To Perfect Wartime Mobilization Laws and Regulations and To Build a Medical Logistics Mobilization System

Although modern limited wars are of short duration and combat is fast paced, and although the range of combat is limited, reserve forces not generally being used, this is not always the case. To bring the war to an end within a fairly short period of time, extremely large numbers of troops may be committed, and this may include the mobilization of reserves. The Gulf war provided very good testimony to this. This requires that reserves be prepared to go to war at all times. To be able to do this, a body of mobilization plans for dealing with both limited wars and all-out wars, and a complete wartime mobilization system are drawn up in peacetime. An example is the American military forces' wartime mobilization law whereby the United States forces mobilized hundreds of thousands of reserves within the country during the Gulf war to provide logistical support for the American forces in the Gulf. For the past several decades, the British armed forces have always had a wartime logistical plan in being. British national laws such as the "Civil Aviation Law," the "Shipping Law," and the "Wartime Call Up Mobilization Law" have clear-cut provisions for wartime mobilization. After moving into the Gulf, the British forces rapidly called up more than 400 medical personnel to bolster British forces' medical treatment capabilities as the need for medical logistical support in the Gulf region required. We still have a very long way to go to compare with foreign military forces. We must perfect wartime mobilization laws and regulations, and build a sound medical logistics mobilization system, and we must build a modern, speedy medical logistics mobile force, and give close attention to the logistical training of specialized technical personnel and reserves to meet the need for medical logistical support in a future limited war.

2. Need for Better Front Line Treatment Employing Many Means of Rapid Movement to the Rear

In the Gulf war, the United States, British, and French forces deployed very highly mobile and diverse kinds of front line medical treatment forces that included armored rescue stations (or posts), mobile field hospitals, tent field hospitals, aerial hospitals, and helicopter,

medical ship, rear area field hospitals, and fleet base hospitals. In the American and French forces, the ratio of medical logistics personnel to combat personnel was 1 to 10. In the British army, it was 1 to 8.6. Every company had a medical corpsman who had been trained in the Royal Army's medical corps who was able to perform battlefield tracheotomies and other life-saving actions on the battlefield. During the Gulf war, the United States forces emphasized the evacuation of the wounded within 30 minutes after wounding for treatment at mobile field hospitals made by grouping together several armored reconnaissance vehicles, or direct movement by helicopter to the rear, either echelon by echelon or across echelons. For the wounded to receive treatment within six hours after wounding, the British and French forces used a similar land-air-sea rear movement ladder for the medical evacuation of the wounded. The American forces also set up several field hospitals in the United Kingdom and Germany ready to receive the sick and wounded who could not be evacuated to the United States itself in time. The three-dimensional rear movement ladder of these foreign forces holds important lessons for the future evacuation of the sick and wounded from different parts of the country and against different combat adversaries. China's armed forces can set up different rear movement ladders as its own specific circumstances require. Movement to the rear by motor vehicles, medical trains, and hospital ships remain fairly important means for movement to the rear, but every effort should be made to use air transportation for evacuation to the rear so that the sick and wounded can receive timely treatment.

3. Need for Close Attention to Prevention and Control of Special Wounds and Illnesses, Improving Individual Soldier Protection

During the Gulf war, the United States, British, and French forces paid special attention to individual soldier protection. To prevent outbreaks of various communicable diseases, the troops were given many different kinds of inoculations. To guard against Iraq's use of chemical weapons, individual soldiers were equipped with gas masks, protective clothing, decontaminants, and atropine first-aid shots. Troops were also equipped with various kinds of detection vehicles and precision instruments. To prevent heat prostration, tank crews and flying personnel were equipped with special protective undershirts and protective clothing. To solve drinking water and food and beverage problems under the special desert circumstances, individual soldiers were issued a new kind of drinking water purification pill to be used in an emergency, thermos bottles, and fast food rations (T rations). Troops were provided water trucks and water tanks, and water pipes were laid. To provide field billets for the troops, the British forces were equipped with a new type military tent that is water-resistant, fire-resistant, and tear-resistant, blocks out ultra-violet light, can withstand 10 force winds, can be easily taken down and stored, is of simple construction, and can house a platoon of personnel. On the basis of foreign army

experiences, China's army should improve individual soldier protection, draw up protection measures and do more prevention research, researching, developing, and equipping the troops with complete protection equipment and individual soldier protection equipment. In addition, special kinds of illnesses that threaten the health of the troops require special protection measures. Not only should the occurrence, prevalence, and spread of every illness be thoroughly understood, but various practical immunization equipment and drugs must be researched and developed. More technical training should be given medical corpsmen for the study, prevention, and emergency treatment of special wounds and diseases, and troops should be provided a rudimentary knowledge of how to prevent special illnesses. The reason for studying, preventing and providing education about special illnesses is that noncombat casualties resulting from special illnesses have historically accounted for a substantial percentage of total casualties. In the Gulf war, for example, each week 5 percent of American troops contracted sandfly fever, leishmaniasis and Congo hemorrhagic fever, and intestinal diseases. Noncombat reductions in personnel averaged more than 340 per day. Thus, special attention must be given to research on and prevention of special diseases.

4. Need To Improve Military Medical Research To Raise the Level of Military Medical Facilities

Westerners say that the Gulf War was a proving ground for the world's most advanced weapons and equipment. The modernization of weaponry means that the kinds of battlefield wounds are more complex, the numbers to be treated increase, and treatment is very difficult, all of which pose new problems for military medicine. Therefore, medical research must clearly understand this point, fully studying prevention equipment and prevention measures from the standpoint of prevention and treatment to maintain troop combat strength. Take medical logistical support, for example. Raising medical logistical support work to the level where it is understood in strategic terms requires full realization that in future wars, medical logistical support will not be a matter of concern for medical units alone, but that it will have a bearing on many quarters including military supply, equipment, production plans, and research units. Therefore, we must improve medical logistical support research. During the Gulf war, the chemical and biological weapons in possession of Iraq's forces caused a certain amount of psychological pressure on the armed forces of several countries. Combat personnel had some feeling of dread about them. The chemical and biological weapons preventive equipment and preventive measures of the American and other foreign forces readily shows the threat to combat troops of chemical and biological weapons. The various kinds of protective equipment of the forces of many countries in the Gulf war (ranging from individual soldier preventive equipment to armored sampling vehicles, contamination vehicles, field laboratories, immunizations, and treatment methods) demonstrated the level of research and the

serious attention of foreign armies in this regard. In this connection, we must continue to pay close attention to follow-up research on the "three defenses," and research on countermeasures. It is suggested that general headquarters allocate funds from the importation from abroad of a number of the newest kinds of three defenses equipment and mobile field hospital facilities, pursuing a course of importation, digestion, assimilation, and improvement. This is a shortcut to accelerate the development of medical logistical facilities. In addition, manpower and financial resources should be concentrated, as the country's circumstances and the armed forces financial situation permit, for the centralized, coordinated, and organized tackling of key research problems, overcoming the separation and hiatus that currently exists among military medical research units and the waste that exists in many quarters. Multi-purpose medical treatment and evacuation vehicles should be developed for key combat zones; medical technology vehicles and containerized medical treatment elements should be developed in a planned way; and armored rescue vehicles and medical technology vehicles that have been successfully developed, or that are in process of testing, should be formally issued to units as quickly as possible. More should be done to build island and islet warfare medical preparedness, setting up quick reaction marine medical treatment teams. Close attention should be given to hospital ships and all kinds of medical transports, as well as to research, development, and modification of medical helicopters. More research should be done on individual soldier protective equipment for use under special conditions, a certain amount of "three defenses" equipment produced and stored. Medical logistics organizations capabilities should be improved, medical logistics organizational command actively improved, quick reaction medical organizations founded to provide increased wartime support to quick reaction troops, various kinds of technical equipment—notably computers—employed, and optimum medical logistics support plans drawn up to enable medical logistical support work in China's armed forces to meet future changes in the situation.

Tank Regiment Trains With Night Vision Equipment

93P30060A Beijing JIEFANGJUN BAO in Chinese
8 Apr 93 p 2

[Article by Zhang Xiaodong: "In Deepest Night, Blinding the 'Blue Army'—A Certain Tank Regiment Builds Night Warfare Simulation Defense Positions for Modern Conditions, Improving Night Training Equipment"]

[Text] A certain tank regiment of the Nanjing Military Region, intent on the characteristics of modern warfare, is focusing on night training, achieving remarkable results. In early March, involved departments of the General Staff Department decided that the "Night Training Outline for Tanks and Armored Infantry Fendui [sub-units]" and the "Several Decisions on Tank

Brigade Night Training" drawn up by this regiment would be promulgated to armored and mechanized units throughout the military for trial implementation.

This tank regiment, to improve unit night training capability, compiled the "Handbook of Multiple Topics Concerning Modern Night Warfare," built night warfare simulation defense positions for modern conditions, created a set of slides on modern night warfare, encouraged officers and men throughout the regiment to research methods of modern night warfare, and summarized and compiled a night training program with 51 modern tactical situations, putting together eight courses and implementing them in sequence.

The tank regiment has successively developed, improved, and perfected 372 items of night training equipment, in 28 projects. Among these, 15 types and 78 items have been appraised and won the approval of responsible departments of the General Staff Department and begun batch production. On a pitch-black night, an advanced thermal imaging night-vision device of the "Blue Army" clearly observed and controlled a zone within 1000 meters of its positions, obstructing the "Red Army's" attack. At that time, the "Red Army" used laser scanning devices, that they had themselves improved, to blind the "Blue Army's" night-vision devices with intense beams. Dozens of the "Red Army's" tanks launched a gunfire attack with the suddenness of lightning, ensuring victory in the "battle."

IPR Countermeasures to U.S. Trade Retaliation

93CE0536A Hong Kong CHING-CHI TAO-PAO
[ECONOMIC REPORTER] in Chinese No 16,
26 Apr 93 p 31

[Article by Zhangyi (4545 1837): "Taiwan Businessmen, Government Officials and Scholars Discuss Countermeasures to 301 Trade Retaliation"]

[Text] Recently, Taiwan Island has been enveloped in a haze related to U.S. special 301 trade retaliation. Everybody is talking about the matter. What products are the targets? What impact will it have on Taiwan? What should be done to deal with the situation? What countermeasures should be taken...? People are concerned about all these questions. A couple of days ago, KUNG-SHANG SHIHPAO invited some business, government and academic experts to discuss these questions.

The panel included: Tsai Lian-sheng [5591 4886 3932], "Board of Foreign Trade" Third Department Director Su Huan-chih [5685 3562 2535], "member of Legislative Yuan" Hsieh Ming-yang [6200 6900 3152], associate professor of the Law Department of Taiwan University Wang I-yu [3076 5030 5148], director of "National Chengchi University Research Institute of International Trade" Tsao Hsing-cheng [2580 5281 6134], presider of "The Intellectual Property Protection Committee of General Association Industries" Weng Pu-tung [5040 2613 2767], director of "Computer Labor Union of Taipei County" Wen Lu-pin [2429 7627 1755], Tu Tzu-chen [2629 4793 1368] director of Intelligence Center of Market Information under "Industrial Information Promotion Association," and Lin Shou-shan [2651 1108 1472], "member of Legislative Yuan", among others. The following are selected excerpts of the discussion.

Most Likely Targets of Retaliation

The panel believes that the U.S. has two ways of trade retaliation, banning imports and raising tariffs. In principle, the list of products to be targeted and the amount of money involved has to be similar to the losses incurred from the fake imports. Some businessmen estimate that losses could reach \$800 million to \$1 billion. If the U.S. chose as targets important products, harm to business circles would be difficult to estimate.

In regard to targeted products, one panelist thought that communications and computers, tools and machinery might be excluded from the list. Products most likely to be retaliated against would be those involving copyright and forgeries. The U.S. trade retaliation would have little influence on the right of the American customers or products in the market. For instance, Jen Tian-tang and other TV games software might be on the list.

The other panelist observed, however, that the U.S. might choose the communications industry in Taiwan as the target of retaliation, because this industry was the most competitive in the international market for Taiwan

businessmen. They believe that America's choice of communications as the target would incur the greatest loss to Taiwan.

No Yielding to U.S. Pressure

The panel agreed that although the direct impact of trade retaliation by the U.S. on Taiwan industries could not be ignored, if the U.S. chose to do so, Taiwan would suffer more if it should yield to U.S. pressure. The panelists thus suggested that Taiwan should stand up in the face of trade retaliation and argue strongly against the act on just grounds.

One scholar pointed out that if the "Legislative Yuan" should pass the eight provisions of "China-U.S. Agreement on Intellectual Property Protection" it used to shelve, and modify the Taiwan Copyright Laws following suggestions from the U.S., losses in this area on the surface would be indirect, but in fact extensive for consumers, and the impact would be great. He said that as a matter of fact, the signing of the Taiwan-U.S. Intellectual Property Protection Agreement had gone beyond its stated purposes. The unreasonable part lay in the U.S. employment of the agreement as a means of strengthening its position as the sole dealership, and by designating eligibility of works for import and controlling the price, the U.S. could monopolize economic gains. More seriously, if Taiwan should yield on copyright laws this time, it would have to be at the mercy of the U.S. in future legislation of cable TV laws and trade mark laws, and lose its say easily. Therefore, if Taiwan were to stand up to the U.S. special 301 retaliation article of trade laws, this was the right time for Taiwan as a whole. The defiance would not only make Taiwan determined to free itself from dependence on the U.S. market, but also encourage Taiwan businessmen to seriously tap other international markets.

A businessman also observed that apart from efforts to make the U.S. revoke its excessive ban on equivalent imports of genuine products, Taiwan should modify the unreasonable, unequal, and unfair parts in the Taiwan-U.S. Agreement. Taiwan should strive for a fair treatment.

Establish Specialized Agencies

In discussing Taiwan's failure in recent negotiations with the U.S., many panelists held that for many years, Taiwan's negotiation representatives were not professionals, which led to the signing of some unreasonable agreements. They suggested that an agency be set up constituting specialists to be in charge of the matter.

One "member of the Legislative Yuan" pointed out that several weaknesses and fallacies had been revealed during the recent Taiwan-U.S. negotiation: First, specialists on intellectual property rights were not used; second, many negotiation representatives started their career as grass-roots civil servants, lacking in courage and ability to adapt to changing conditions; and third, Taiwan's businessmen were not properly organized.

One businessman who participated in the Taiwan-U.S. intellectual property rights negotiations at the end of last March said that although the negotiation was carried out in the name of the "Board of Foreign Trade," it included the "Ministry of Justice," the "Ministry of Finance," the "Ministry of Interior," the "Department of Health", and the "Government Information Office," etc. These units were in the same position as the "Ministry of Economic Affairs," itself being ambiguous about its role and power. They

therefore each had their own stand in the face of important issues in the negotiation. Within this negotiation structure, not only could it effectively play its cards, but it could not detect the U.S. hand. In view of the fact that apart from trade talks with the U.S., there were multilateral talks with many nations about joining the GATT to come, Taiwan should quickly set up a cross-departmental external negotiation agency. Otherwise, it would be always in a passive and merciful position.

Changing Political Style of DPP

93CM0311A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 320, 1 May 93 pp 60-62

[Text] After Democratic Progressive Party [DPP] member and legislator Chang Chuan-tian's slapping incident, DPP chairman Hsu Hsin-liang immediately made a humble apology to the entire nation, even though he had just returned from Singapore, where he enjoyed the honor of party-to-party diplomacy. While most of the public found Chang Chuan-tian's slapping of Chiu Chuang-huan unacceptable, Hsu Hsin-liang's apology seemed inevitable. In fact, Hsu Hsin-liang's apology was an entirely new and different means of resolution that the DPP adopted following countless confrontations in the Legislative Yuan and on the streets.

After the factional argument in the Legislative Yuan when legislator Chu Kao-cheng made a show of physical violence toward former Legislative Yuan president Liu Kuo-tsai, Liu Kuo-tsai was said to have bared his chest and arms and displayed his medicated bandage. Not only were no apologies heard from other DPP members, but Liu Kuo-tsai might also have heard even more people cheering "Brave!" and "Courageous!" at Chu Kao-cheng. DPP legislator Chang Chun-hsiung also slapped former Legislative Yuan president Liang Su-jung a couple of times, and when he returned to his electoral district of Kaohsiung, he got even more of a hero's welcome.

Let's look closely at another example. During the DPP's 19 April demonstration last year, the participants sat in front of the Taipei train station and initiated quite a lot of abusive chanting, yet the party chairman still inevitably spoke in defense of the entire party after they were peacefully expelled. Also, in the recent 14 March Anti-New K incident in Kaohsiung, the participants and the DPP weren't even directly connected, yet the DPP still didn't neglect to plead on behalf of the crowd of protesters.

Hsu Hsin-liang doesn't believe that apologies represent a change in the DPP. He tends to describe it in terms of the objective conditions of politics. Hsu Hsin-liang said: "The effect of politics on society is like a mirror. The reflection in the mirror is not the action itself, but the objective conditions of politics."

Hsu Hsin-liang also brought up the example of Chu Kao-cheng and Liu Kuo-tsai's physical clash. He believes that the political capital generated by Chu Kao-cheng after the clash, when he elicited the cheers of the populace, has still not been exhausted. The main reason is that most people still support the DPP in its efforts to change the objective conditions of politics, such as the inequitable parliamentary structure and single-party domination. Now that these conditions have changed after much effort, most people regard the KMT and DPP as rival ball teams. If one team member violates the strict rules of competition as affirmed by most people, then society finds it unacceptable.

Hsu Hsin-liang said that even though he apologized to the entire nation for Chang Chuan-tian's slapping right after he returned from Singapore, he still doubted whether Chang Chuan-tian was at fault. "It's just like in a basketball game—when a player breaks the rules with a minor infraction, the spectators always hiss at them." Based on these considerations, Hsu Hsin-liang decided to apologize to the entire nation.

In fact, in the DPP's development up to now, this is the first instance of an apology. At the same time, it also lessens the DPP's mode of rough-and-tumble physical confrontation in the future. Hsu Hsin-liang admitted that there is almost a consensus within the party that physical confrontation should no longer be advocated. In the future, only when "the opposing side violates the rules and seriously damages mutual understanding" can "defensive physical conflict" be considered legitimate. In other circumstances, physical conflict will almost never be tolerated.

After the Chang Chuan-tian incident, the entire DPP again thoroughly assessed the core issue of physical confrontation, and the view emerged that the DPP should put aside its heavy weaponry as much as possible and change its image completely.

As a result, the Chang Chuan-tian incident was, on the one hand, as DPP legislative minority whip Chen Shu-pian said: "One slap that shattered the painstakingly constructed image of the DPP." But in fact, after the incident, the DPP's leaders' soul-searching and the party's response to public opinion also determined the future path of the DPP, that is, to work within the rules of the system. In fact, since the second election of the Legislative Yuan, the DPP has already been doing this.

In the areas in which the DPP has begun to participate actively, such as policy toward the mainland, economic and trade issues, foreign affairs, etc., DPP legislators can be seen every day in the media, dressed impeccably, questioning and talking with government officials. This is completely different from the past, when anytime you saw the DPP on television, you would always see them fighting and creating havoc. Of course, this is also a very important factor in the remodeling of the DPP's image and its choice of direction. Many members of the DPP Legislative Yuan delegation have said privately that airing one's views through the media is the favorite method of many.

In addition, in terms of the mode of decision-making on many important issues, such as the election of the president and vice president of the Legislative Yuan, the confirmation of the premier, and even supervising the approach to the Gu-Wang meeting and the response to the United States' 301 retaliatory legislation, the DPP has expressed many views. But after they make a decision, they concentrate their firepower. This actually makes an impact, and furthers the goal of meeting expectations for "national participation in politics."

However, there is an internal contradiction between the healthy development of the concept of public office and the DPP's close connection with the opposition movement. For example, after Chen Shui-pian publicly reprimanded Chang Chuan-tian for slapping and thus shattered the image of the DPP, his office received many phone calls of protest, criticizing him for reprimanding Chang Chuan-tian so harshly. The DPP's Legislative Yuan chief convener Shih Ming-te believes that when the entire elite of the opposition movement has entered the political mainstream, the issue of how to prevent the original opposition spirit from disappearing in the legislative debates and participation, and whether part of the elite should be kept out of the system so that they can carry out the activities of the movement must be considered anew. Legislator Fang Lai-chin, who has long worked in the labor movement, pointed out that while the DPP wholeheartedly "goes through the motions" of seeking power, they are actually moving further away from social movements, and moving away from their concern for the underprivileged. They will never gain more than 30 percent of the vote, which has elected all of

their elite. "The next target of the social movements will be the DPP itself," Fang Lai-chin said.

But Hsu Hsin-liang, who has a very strong drive to take power, feels that the ultimate goal of any political opposition movement is to gain political power. Therefore, the movement's mode of operation must be determined by how power is attained. No party can refuse to understand the attitudes of the majority of the people.

It is nearly the consensus of the current opposition movement that the legislative strategy and the movement's activities must be developed simultaneously. But from the development of the DPP since the second Legislative Yuan elections to its members' handling of the Chang Chuan-tian incident, "the legislative path/rational participation in politics/gaining power" has been a practical development. On the other hand, "the path of the movement/opposition from without" is gradually showing signs of abating. The contradiction contained within this is an issue that must be pondered by those who wish to gain power as well as those who want to develop the social movement.

Warning Signs of Incipient Independence Reported

93CM0310B Hong Kong CHING PAO [THE MIRROR] in Chinese No 190, 5 May 93 pp 23-25

[Article by Kuan P'in-shu (7070 0756 2873): "Sprouts of 'Hong Kong Independence'"]

[Excerpts] There has long been a sense that some Hong Kongers consciously or unconsciously have gradually disengaged from China, which development, it is suspected, might lead to sprouts of Hong Kong independence. Naturally these remain just the germs of sprouts, and no one has openly said such a thing, much less penned such an advocacy. Yet subtle signs are everywhere, as follows:

1. Many people say, "I'm Hong Kongese," not, "I'm Chinese." This clearly reveals a subconscious feeling of Hong Kong superiority and disdain for China in the mind of the speaker. I have not scrutinized the cause of this psychology but believe that an important contributor is the fact that Hong Kong is rich and the mainland poor. [passage omitted]

2. It is popular in Hong Kong society to despise all things Chinese, which proclivity may be termed "anything Chinese is inferior." According to this view, all physicians from China are bad, all Chinese medical schools do not cut it, an injection received in China inevitably leads to infectious disease, drugs produced in China are bad, Chinese officials are corrupt, Chinese institutions of higher learning are "much worse" than Hong Kong's, and the like. [passage omitted]

3. Some Hong Kongese really are too anglicized and adulterate their speech with many English words. Of course, everyone has the right to express oneself freely, and how one speaks should not matter. Yet some people who go to the extreme exhibit bizarre mentality. For example, I have heard people say, "Folks coming from the mainland blubber when they speak English, with utterly no class." This shocked me, for how is it that lack of fluency in foreign language makes one declassé? [passage omitted]

It transpires that such an attitude is the inevitable product of long-term colonial rule and thus should not be surprising. [passage omitted]

4. Many Hong Kong news media treat the notion of nationalism derisively, dubbing it "old-fashioned," "passe patriotism," and so on. [passage omitted]

5. Recently, the "oppose everything Chinese" faction has openly called on Hong Kongese "not to kowtow to China." [passage omitted]

I have not traveled widely nor experienced much and so perhaps have missed many of these "independence" proclivities. Still, the tendencies noted above are sufficient to rouse our vigilance. Of course, they remain mere

germs of sprouts, yet if they develop and go unexposed they will produce a "Hong Kong independence faction." [passage omitted]

British Internationalization of Issues Scored

93CM0310A Hong Kong MING PAO YUEH K'AN [MING PAO MONTHLY] in Chinese No 329, May 93 pp 53-55

[Article by Tu Hsueh-k'ui (2629 1331 7608): "The Chinese Raise the Sovereignty Issue; the British Respond With Internationalization"]

[Excerpt] The Hong Kong controversy is volatile and elusive, and the confrontation between the two sides has made it hard for each to back down. The Chinese say "the matter involves sovereignty, and no concession will be granted," and as the side possessing sovereignty, has declared that they will ensure Hong Kong's prosperity and stability, that they most assuredly will take back Hong Kong in 1997, and that they do not fear obstruction from any power. Consequently, they have adopted a dual approach. On the one hand they have, through their NPC and CPPCC, harshly condemned the Hong Kong and British authorities as being bent on provocation and fomenting trouble and named Hong Kong Governor Patten as the "chief villain," a "criminal of all time," and the obstacle to talks, strongly suggesting that they will not be happy until he is "gone." They have also declared that the ball is now in Britain's court and that if the British wish to serve they must remove the obstacles and play by the rules: Adhere to the Joint Declaration, the Basic Law, and the various agreements and understandings the two sides have made—the so-called three compliances. The Chinese clearly are upset with the presumptuous attempt by the British to hog all authority in their remaining four years of control and to report to the Chinese only after making their decisions. Furthermore, the Chinese desire some level of participation before 1997 in matters affecting retrocession. Indeed, there is essential need for such participation, for otherwise smooth takeover will be impossible, nettlesome problems will arise, and stable transition will be undermined. It is understandable that if the arrangements for 1997 are bungled, the Chinese will never be able to "drop in from out of the blue." Naturally, Chinese participation may undermine Patten's authority and keep him from having his own way, as the Chinese too have their own ideas. These issues involve authority and influence over the future of Hong Kong. The two sides know this viscerally but find it hard to express. Additionally and most appallingly, Patten has introduced the public opinion card, using welfare democracy to pander to popular sentiment. The Chinese find this very fishy and treacherous, "because," they say, "Hong Kong belongs to China and consists of Chinese people, and we naturally will abide by the one-nation, two-systems formula after 1997. Why is Your Excellency, after more than a century of absolutely no progress, so anxious [for democracy] now? What is it that you are up to?" Thus the Chinese have prepared their second approach—having

the NPC Standing Committee, at an appropriate time, begin organizing a planning committee for the special administrative regions. They say that such a body does not constitute a second center of power. Yet what, then, does it constitute? That only time will tell. Patten neither can nor desires to attack these moves and is left with no other choice but to pull something else from his sleeves!

In response to the Chinese moves, Hong Kong asked American CNN talk host Larry King to interview Patten, Martin Lee, and others, thereby fomenting political atmospherics. Thus did Patten finally announce to the world that Britain's counterattack, the internationalization card, had begun.

Old-line colonialist Britain simply does not want to return the flower of its empire, Hong Kong, to China. As will be recalled, the British during the Thatcher era variously argued that the treaties remain in effect, "let us exchange sovereignty for authority to rule," British control must be extended another 50 years, and the like, all of which, in addition to countless other representations, clearly demonstrate that Britain greatly begrudges return of Hong Kong. Yet when faced with no other choice, the Iron Lady was finally forced, in 1984, to sign the Joint Declaration, concretely promising to return Hong Kong to China! How clear the feeling of what it must mean to disgorge delicacy and treasure! Naturally, some Britons remain under the illusion that sacrifice cannot lightly be considered until the last possible moment! They argue that the world is changing and that Britain should watch and await those changes, for the latter are unpredictable. Did not China fail to retake Hong Kong after World War II? And after the Korean War and the Cultural Revolution? Who can say that history will not repeat itself? Did not the Soviet Union, one of the superpowers, fall like a domino? And if China democratizes, corrodes under capitalist onslaught, and slides into civil war like Yugoslavia, will she still have the wherewithal to worry about Hong Kong? This approach by no means is whistling in the dark. Great statesmen naturally must steer their ships as the winds dictate, prepare for all eventualities so that calamity does not strike, and miss no opportunity. Thus their strategy should be "exercise power whenever one can and never relinquish it until the last!"

Such are the subjective wishes of the two sides. Yet the sides must also conform to objective conditions as the latter exist. More and more countries and politicians have concerned themselves with Hong Kong in recent years. Taking the lead, the United States passed the Hong Kong Act, which provided great encouragement to Britain. Just as Patten began to despair at his lack of influence in playing the positive card, popular opinion—using Hong Kongese to oppose China, and the negative card, economic—repeatedly boasting he could win MFN status for China, he in early April visited the EC and returned home for consultations. As coincidence would

have it, the British foreign secretary visited Japan, South Korea, and Indonesia, and Deputy Foreign Secretary Goodlad visited Singapore at approximately the same time!

Patten had already visited Canada, where he was warmly received, and won the support of that country. Visiting Singapore 5 April, Joe Clark, former prime minister and foreign minister, indicated that the Canadian Labor Party fully supports Patten.

Patten also visited Japan, which is the second largest investor, next to the United States, in Hong Kong, naturally hoping that Japan would support his reforms. HSIN PAO reported 2 April that David Howell, chairman of the British House of Commons Select Committee for Foreign Affairs, returned from Japan claiming receipt of such support. Moreover, British Foreign Secretary Hurd entered the fray, not only calling upon Japan from London to influence China but also visiting Tokyo himself to request that the Japanese show solicitude for Hong Kong. While denying having demanded that Japan mediate between Britain and China, he publicized in Japan Britain's proposals for political reform in Hong Kong. The BBC has reported that Japan supports those proposals, although the substance of this support is hard to gauge. All this shows that Patten's international card has begun to yield results. Yet it is worth noting that this "gambit" has pricked China's historical wounds, causing the Chinese to recall the painful experience of the Allied Expeditionary Force during the Boxer Uprising. The Chinese cannot help but ask, "Why must imperialism interfere in our affairs?"

Patten visited Brussels 2 April, where he delivered a speech. Belgian Foreign Minister Claes stated that if the political dispute between China and Britain deteriorates, the EC does not discount consideration of mediation between the two sides (HSIN PAO 3 April). And Crespo, president of the European Parliament, expressed support not only for Patten's reforms but also for the establishment in Hong Kong of a framework for self-determination.

Now in Britain for consultations, Patten is like a hero on triumphant return home, and his speeches regularly refer to the "dawn of victory." People had hoped that his consultations would produce a favorable turn of events, allowing Hong Kong to make a smooth transition. Yet what they see on TV is Patten raising three new demands: (1) That China provide specific proposals for the 1995 elections. (2) Does China desire a fair arrangement for those elections? (3) Will China allow the legislators chosen in those elections smoothly to transit through 1997 to the end of their terms in 1999? These questions posed by the examiner allow only yes or no answers from the examinee, no other choice. [passage omitted]

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DATE FILMED

12 July 1993